FINANCIAL TIMES

EU enlargement
Obsession with Emu obscures big issue
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Italian banking
The lava has started to flow
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World Business Newspaper http://www.FT.com WEDNESDAY FEBRUARY 26 1997

Seoul waits for resignations after Hanbo apology

Senior South Korean government and ruling party officials are expected to resign en masse following a televised apology for the Hanbo Steel loan scandal by President Kim Young-sam. The resignations, made in ritual atonement for one of South Korea's biggest corruption cases, will allow Mr Kim to conduct a sweeping reshuffle. Ten senior politicians and businessmen have been indicted in the bribes-for-loans scandal. Hanbo collapsed last month under debts of nearly $6bn. *Page 14*

Kvaerner reports 70% fall in profits

Erik Tonseth (left), chief executive of Norwegian shipbuilding, engineering and construction group Kvaerner, said an operation to cut costs and restructure ailing units would continue as tha company reported a 70 per cent fall in 1996 pre-tax profits to NKr750m ($112m). The group is grappling with its acquisition of UK conglomerate Trafalgar House as well as weak performances in several of its older businesses. Mr Tonseth expressed "guarded optimism" about several of the group's markets. Page 15; Lex, Page 14

Japan to lift holding companies ban: Japan's ruling coalition took another step towards financial deregulation by agreeing to lift a 51-year-old ban on the formation of holding companies. Page 14 and Lex; Editorial Comment, Page 13

French trade surplus hits record: France unveiled a record annual trade surplus of FFr122.3bn ($21.5bn) for 1996, an advance of 25 per cent from the FFr97.8bn surplus of the previous year, itself a record. Page 14

Van Miert says air row not settled: A dispute between the European Commission and the British authorities over the proposed alliance between British Airways and American Airlines is still far from resolved, EU competition commissioner Karel Van Miert said. Page 2

Generali urged to act over Nazi victims: Assicurazioni Generali, one of Europe's largest insurers, is being pressed by Yad Vashem, the Israeli-based Holocaust researcb institute, to open files on former customers who were murdered by Nazis without having received proceeds of their policies. Page 15

Jiang seeks to tighten grip: Chinese president Jiang Zemin delivered an emotional eulogy to the memory of Deng Xiaoping, China's deceased paramount leader, as be sought to consolidate his grip on power. Page 4

Confidence grows in US: Consumers in the US are more confident about economic conditions than at any time in the last 27 years, an independent report shows. Page 8; Editorial Comment, Page 13

Greece angry over EU's Cyprus plan: Greece threatened to delay the European Union's planned enlargement to central and eastern Europe after the rest of the EU proposed involving the Turkish community in talks on Cyprus's future membership. Page 3; Deafening silence, Page 12

NatWest to cut lending: National Westminster Bank's shares fell 4 per cent to 776½p as the UK bank warned it was reining in its lending in anticipation of a slowdown in the UK economy next year. Page 15; Lex, Page 14

Action urged on millennium 'bomb': Leading UK companies are pressing for legislation to force businesses to address the threat to computer systems posed by the change of date in 2000. Page 10; Editorial Comment, Page 13

Japan Telecom to go global: Japan Telecom, a domestic long-distance telecoms carrier affiliated to railway companies, is to provide global services in voice and data communications. Page 15

In tune with the times: One of the last male bastions in the musical world may fall tomorrow when the Vienna Philharmonic orchestra votes on whether to admit women. Page 3

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,000.12	(-8.08)
NASDAQ Composite	1,347.08	(+2.00)
Europe and Far East		
CAC40	2,607.72	(+39.87)
DAX	3,233.21	(+49.00)
FTSE 100	4,344.7	(+13.6)
Nikkei	19,070.07	(+173.03)

US LUNCHTIME RATES

Federal Funds	$5\frac{3}{16}$%
3-mth Treas Bills: Yld	5.124%
Long Bond	$98\frac{5}{32}$
Yield	6.842%

OTHER RATES

UK: 3-mo interbank	$6\frac{1}{16}$%	(same)
UK: 10 yr Gilt	$102\frac{13}{32}$	(same)
France: 10 yr OAT	106.52	(106.49)
Germany: 10 yr Bund	103.39	(103.31)
Japan: 10 yr JGB	104.2727	(104.1614)

NORTH SEA OIL (Argus)

Brent Dated	$20.16	(19.81)

GOLD

New York: Comex	$356.1	(355.21)
London: close	$354.05	(352.75)

DOLLAR

New York: lunchtime		
£	1.63355	
DM	1.67475	
FFr	5.6505	
SFr	1.462	
Y	121.775	
London:		
£	1.6342	(1.6335)
DM	1.6758	(1.6697)
FFr	5.6526	(5.6356)
SFr	1.4625	(1.454)
Y	121.995	(121.975)
Tokyo close:	Y 122.35	

STERLING

DM	2.7396	(2.7274)

9 770174 736135

Parking row may delay Euro parliament move

By Neil Buckley in Brussels

The Eurocrats may finally have met their match. Local bureaucrats in Brussels are taking on their Euro counterparts in a row over car parking that may delay the rehousing of the European Parliamant in a gleaming $1bn headquarters.

City officials have told parliament it can use only 900 out of 2,300 parking spaces beneath its immense complex. Any more cars, they say, would bring surrounding streets to a standstill and choke the city's already inhospitable *Euro-quartier*.

With only one access ramp to the car park, some estimates suggest it could take up to five hours a day to get 2,300 vehicles in and out. Parliament has helpfully suggested staggered working hours.

The row is another embarrassing incident in the troubled history of the silver-glass complex, officially called the Espace Léopold, but nicknamed locally the *Caprice des Dieux* – Whim of the Gods – for its resemblance to the oval packaging of the French cheese.

The EU's only democratically elected institution is due to sign a BFr32bn ($930m), 27-year lease on the third and final building in the development on April 1.

But with thousands of staff and MEPs – currently housed in rented buildings nearby – already clearing their desks, ready to move in, Mr Enrico Vinci, parliament's secretary-general, is threatening not to sign the lease.

"Without all the parking spaces, this building is impossible to use," says Mr Vinci, who is about to retire after devoting much of the last decade to the project.

He says the developers' consortium, Société Espace Léopold, must sort out the dispute with the city fathers and hand over the building as specified.

If the parliament does not sign the lease, it must pay the developers BFr100m per month until it does. On the other hand, signing a contract for a building which does not meet agreed specifications could attract scrutiny from the Court of Auditors, the EU's spending watchdog.

Many Brussels residents complain the lavishly-equipped Espace Léopold has disfigured the area: a 19th-century brewery and 30 townhouses were demolished, and 139 people rehoused.

Mr Hervé Hasquin, regional minister for public works, says parliament's insistence on having all the parking spaces sits badly with its aspirations to be a guardian of the environment. He proposes releasing more spaces in phases but only if parliament proves it needs them.

Mr Henri Bernard, of the local residents' association, is unimpressed with the Eurocrats. "If they cannot deal with the European citizens closest to them, how can they hope to deal with citizens across Europe?"

Crédit Lyonnais rescue tied to disposals

Brussels likely to insist on sale of foreign interests

By Emma Tucker in Brussels and Andrew Jack in Paris

The European Commission is expected to insist that Crédit Lyonnais sell all its remaining European banking operations outside France in return for the approval of a new state-aid rescue package worth up to FFr30bn ($5.26bn).

Other damands could include a reduction of the troubled state-controlled bank's domestic branch network, considered by the Commission to be too expensive, and the sale of a considerable part of its wholesale banking interests.

"Crédit Lyonnais still has a lot to sell," said one official.

The aid package is additional to FFr49bn already provided in a first rescue plan two years ago, which was itself by far the biggest state subsidy ever considered by Brussels.

If approved by Mr Karel Van Miert, the competition commissioner, and the 19 other Commission members, such tough demands are likely to trigger an angry reaction in France where ministers had been hoping to minimise cuts to the bank's once extensive network.

People close to the restructuring negotiations in France argue that there is only limited scope to reduce Crédit Lyonnais's banking activities if it is to achieve the objectives set for it in a pre-privatisation plan which is being finalised.

They argue that apart from selling the bank's retail operations in Italy, Germany, Spain and Portugal, there is little room for additional disposals if Crédit Lyonnais is to meet its aim of remaining a universal bank in France, with a presence in other countries to serve large corporate clients.

They also say that sales would reduce the total price at which the bank could eventually be privatised and possibly trigger additional capital losses that would have to be covered by further state aid.

But the Commission believes lesser demands would undermine its credibility as the EU body responsible for policing state aid.

Mr Van Miert will not be able to spell out the exact conditions until he receives details of the latest rescue proposals.

Last week, Mr Jean Arthuis, the French finance and economics minister, said they would not be delivered until the end of March.

The proposals will be designed to provide final aid ahead of privatisation of the bank at the end of next year or in 1999.

The bank has already started to divest itself of its non-French European banking network as part of its strategy in the run-up to privatisation.

Earlier this month it announced the sale of Crédit Lyonnais Bank Sverige, its Swedish retail oparation.

Flashpoint: Palestinian protesters confront an Israeli soldier at the site of the proposed Har Homa Jewish settlement in East Jerusalem yesterday. The scheme is expected to be given the go-ahead today. Report, Page 7. Picture: Reuter

Nomura accused of deceiving market

By Nikki Tait in Sydney and William Lewis in London

Nomura International, the London-based arm of the Japanese securities house, has been accused of "misleading and deceptive conduct" by the Australian Securities Commission, the country's securities industry watchdog.

The ASC yesterday launched legal action against Nomura, claiming that it breached corporations law when it unwound a large stockmarket arbitrage position last March.

The bank's conduct, the ASC claims, was "calculated to create a false or misleading appearance with respect to the price" of a futures contract.

As part of its case, the ASC is seeking injunctions to bar similar conduct in the future, but is not pursuing financial penalties. Nomura denied wrongdoing and said it would vigorously defend the proceedings.

"The transactions referred to in the ASC allegations were legitimate stock index arbitrage transactions," it said. Nomura added that "stock index arbitrage transactions are a standard part of international finance".

Arbitrage is a trading technique which exploits variations in the price of assets in different markets.

Shortly before the close of the stockmarket on Friday March 29, Nomura issued a wave of "sell" orders – covering about A$600m-worth ($461.50m) of securities.

The orders sent ripples through the market and sparked a 26-point drop in the Australian All-Ordinaries Index.

At the time, Nomura also had a large position in the March share price index contract which is traded on the Sydney Futures Exchange and was due to expire that afternoon. According to the ASC yesterday, Nomura's position amounted to around 12,844 contracts.

In Australia, the closing level of the share price index futures contract is calculated with direct reference to the

Continued on Page 14

Levitt sounds alarm over hasty reaction to downturn

By John Authers in New York

Inexperienced investors who have known only the bull market of the last decade could react "precipitously" to a downturn and "at great cost to themselves and our markets", Mr Arthur Levitt, chairman of tha Securities and Exchanga Commission, warned yesterday.

In a speech in Boston announcing tighter regulations on mutual funds, Mr Levitt sounded possibly the strongest note of alarm from a federal regulator about the current high share valuations on Wall Street since Mr Alan Greenspan, chairman of the Federal Reserve, warned of "irrational exuberance" last December.

Mr Levitt said: "Investors are not as informed as they should be. This is especially troubling becausa most of these new investors have experienced only a bull market. I fear that, in a downturn, those who don't understand risk may react precipitously and carelessly."

Mr Levitt said the influx into the securities markets had "created confusion and a greater potential for disappointment among investors who don't understand their investments".

He also said that US mutual funds, which made record net sales of $325bn last year and now manage $3,500bn on behalf of individuals, would now be required to make investment risks clearsr to investors. Risk disclosure will now emphasise the risk of a fund's overall portfolio, a change from the current approach which requires funds to give what Mr Levitt called a "laundry list" of technical descriptions of the risks of individual securities.

Generic technical and legal information will no longer be included in sales documents.

The new rules follow lobbying from the fund industry, where executives are worried that the present bulky prospectuses deter potential investors from closely examining their funds. Many fund managers share Mr Levitt's concern that funds could be withdrawn swiftly in the event of a mar-

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NEWS: EUROPE

Competition commissioner waiting for more information on BA-American deal

Van Miert denies air row is settled

By Emma Tucker in Brussels

Britain insists its competition authorities must be final arbiters

A dispute between the European Commission and the British authorities over the controversial proposed alliance between British Airways and American Airlines is still far from resolved, Mr Karel Van Miert, the EU's competition commissioner said yesterday.

Addressing the transport committee of the European Parliament last night, Mr Van Miert said: "It seems that the positions are pretty divergent."

The Commissioner, who sparked a row with Britain this year by threatening to take the UK to court if it approved the transatlantic alliance, told MEPs he was still waiting for the two companies to provide "supplementary information" on the deal, on top of written and oral answers they had already given him.

Only then would the Commission be able to consult national experts from the EU's 15 member states before reaching a final decision.

Mr Van Miert enraged the British government in January when he declared that the Commission would be examining the alliance, because of its impact on competition inside the Union's single market.

The UK is insisting that its competition authorities should be the final arbiters of the deal and that the concessions they are demanding – including the sale of 168 take-off and landing "slots" by the two companies – are sufficient to alleviate competition concerns.

Mr Van Miert is opposed to the selling of slots and is concerned that the agreement would substantially restrict competition on all routes between the UK and the US.

Earlier Mr Neil Kinnock, the transport commissioner, who shares responsibility with Mr Van Miert for vetting the transatlantic alliance, said the Commission's final verdict on the deal would be delivered in weeks rather than months

He said matters were complicated by the fact that the Commission also had to look at five other alliances, including earlier deals between Lufthansa and United, KLM and Northwest Airlines.

The Commission is in the process of preparing formal statements of objections, yet to be sent to the companies.

Yesterday Mr Van Miert reiterated his opposition to the sale of slots, insisting that airlines should be required to cede slots as the best way of ensuring fair competition for all operators – big and small.

"It is our job to ensure that we keep the market open," he said.

Although the Commission would prefer to have sole jurisdiction ovsr the alliance, it cannot prevent the British authorities from carrying out their own assessment under article 85 of the EU treaty.

However, Mr Van Miert has made it quite clear that he will not tolerate a decision by the British which conflicts with the Commission's view of the situation.

Switzerland's war archives name the names

By William Hall in Berne

If Switzerland had a good war then Alfred Kurzmeyer had a very good war. He spent most of it in a plush suite in Zurich's Savoy hotel where he doubled up as a Swiss representative of Germany's Deutsche Bank and a part-time banker for the German SS.

Yesterday the late Kurzmeyer's name emerged from obscurity as the Swiss federal archives held its first open day. The event attracted various groups including Holocaust survivors and eminent Swiss historians – Kurzmeyer is not the only Swiss banker whose exploits during the second world war will soon receive close scrutiny.

Switzerland was Germany's only outlet to the international financial markets during the war and economists have estimated that the German war effort could not have lasted more than two months without access to hard currency through Switzerland.

Kurzmeyer, who had dual Swiss and German nationality could do things that only Swiss bankers could do during the war. Mr Gian Trepp, a Swiss historian, said Mr Kurzmeyer had a very good credit rating at Credit Suisse and was known to the Zurich police as a black marketeer in everything from jewels to banknotes and gold coins.

"He was handling the banking business and at the same time doing the profiteering," said Mr Trepp. Kurzmeyer later went on to become a senior figure in Deutsche Bank.

Mr Trepp argued that Switzerland's wartime role was decisive in its later development into one of the world's most powerful financial centres. While much is known about Switzerland's official gold dealings with the Nazis very little is known about the Swiss banks' private dealings in areas such as gems, jewellery and banknotes.

Mr Christoph Graf, who heads the Swiss archives, said yesterday's exercise was designed to give a glimpse into the "nation's memory". The current dispute over Switzerland's wartime role was an opportunity to question the image of Switzerland as an "absolutely neutral, well-fortified and flawless country".

Nazi gold affair reveals how Swiss hate to be led

A political system designed for compromise and consensus appears inert when it comes to a crisis, writes William Hall

In a sense, Switzerland's political system is designed not to work too well.

So when something decisive needs to be done – as it must if the country is to salvage its international name in the wake of allegations about its wartime dealings with Nazi Germany – it seems not to work at all.

In fact, the government's handling of the affair, in which it is alleged Switzerland and its bankers gave Nazi Germany access to international foreign exchange markets that allowed it to prolong its war effort, has raised questions over whether the country's political institutions are suited to today's challenges.

The immediate task is for Mr Flavio Cotti, Switzerland's foreign minister, to convince a sceptical international community that Switzerland is committed to a thorough examination of the past.

At the same time he must win round the Swiss population to supporting a generous donation of taxpayers' money to a promised humanitarian fund for victims of Nazi persecution and their needy survivors.

It would be a challenging job for any political leader. But in Switzerland, where virtually every unpopular measure can be voted down by referendum, it is virtually impossible.

Indeed, the dithering is not surprising and it is not intentional. The Swiss political system does not lend itself to producing strong leaders who can push through unpopular measures for the "national good".

Mr Cotti is one of seven federal councillors who are chosen by the federal assembly not for their leadership skills but for their ability to conform to the "magic formula" which has shared out the top posts of state since the 1950s between the four main parties and the three main language groups (Italian, German and French).

The chances of becoming a Swiss federal councillor have been likened to playing a pinball machine. If Mr Cotti had been born in the German-speaking city of Zurich, instead of the Italian-speaking Ticino, he would not have his current job.

Cotti: must convince Swiss to contribute to fund

On the rare occasions when the federal council does try to take a lead in policy making, such as its proposal in 1992 to join the European Union, the Swiss electorate generally gives them the thumbs down.

Each federal councillor gets a turn at being the country's president for a year – under a consensus system the president cannot take decisions without the agreement of his or her colleagues. Mr Arnold Koller, a law professor, is the current incumbent.

Most Swiss pride themselves on not knowing the name of their country's current head of state.

Thus it has fallen to Mr Cotti as foreign minister, rather than the country's president, to try to take the lead.

But he faces a struggle to convince taxpayers, suffering from six years of economic stagnation, that their government should make a generous donation to a fund many do not believe to be necessary.

Nestlé directors, pillars of the business establishment, may turn out to be more important than the foreign minister in defusing the public relations crisis

If Mr Cotti and his colleagues cannot win broad popular support for the humanitarian fund, it is likely to be voted down in a referendum – unleashing fresh accusations that the Swiss are "dragging their feet" when it comes to stoning for their past.

The Swiss system is such that leadership has to come from outside the government. This explains why the directors of Nestlé, the world's biggest food company, and a pillar of the Swiss business establishment, may turn out to be more important than Mr Cotti in defusing the public relations crisis over the Nazi gold affair.

The chairmen of the Big three Swiss banks – Mr Rainer Gut of Credit Suisse, Mr George Blum of Swiss Bank Corporation, and Union Bank of Switzerland's Mr Robert Studer – sit on the Nestlé board along with Mr Paul Volcker, former chairman of the US Federal Reserve, and Mr Fritz Leutwiler, former head of the Swiss National Bank.

Mr Blum was one of the driving forces behind the establishment of the Volcker Commission, which is heading the hunt for dormant Swiss bank accounts of holocaust victims. And Mr Gut's plan for a humanitarian fund has forced the Swiss government to move much more quickly than expected. Mr Leutwiler, the grand old man of Swiss business, has been calling in favours on both sides of the Atlantic.

The Neue Zürcher Zeitung, Switzerland's main financial daily, says that the affair has highlighted the country's leadership crisis and the need for reform. The seven federal councillors each have portfolios which would be shared out among several ministers in other European countries. The president is expected to continue running his department as well as representing the country.

The NZZ advocates that the fixed rotation of the presidency be done away with and the term extended from one year to four. The president would be freed from departmental responsibilities and have his or her own staff. There should be a genuine parliamentary vote for president rather than rotating the job annually based on seniority.

In Switzerland this is revolutionary talk.

Competition in French telecoms market hots up

By David Owen in Paris

Competition is hotting up in the FFr117bn ($20.9bn) a year French telecommunications market. Just under a year before it is fully liberalised, the two leading entrants chose yesterday to announce new services geared to the lucrative business market.

First off the mark was Générale des Eaux, the diversified utilities group which is trying to position itself as France's alternative telecoms operator.

Cegetel, its telecoms operation, unveiled a new high-quality local optic fibre network which is aimed at business users in the futuristic La Défense commercial district on the western edge of Paris.

Mr Jean-Marie Messier, Générale des Eaux chairman, has said his company is aiming to have 19 such networks by 1998. They are widely thought to be the main opportunity for naw entrants to establish themselves in tha market for local telecoms services.

To judge by yesterday's events, France Telecom, the traditional state-owned operator due for partial privatisation in about three months, is unlikely to take the competitive threat lying down.

It announced the launch on March 1 of a high speed service it said could give companies access to a "personal" network, capable of linking all their important sites in a single city.

France Telecom highlighted both the fact that these networks would be capable of transmitting voice traffic, data and images and the extent of its existing optic fibre infrastructure. This, it said, amounted to 1.3m km at present and would rise to 2m km by 2000.

With France Telecom acknowledging that the timing of its announcement was heavily influenced by Cegetel's decision to unveil its service yesterday, such jousting seems likely to be a growing featura of the French telecoms market in the run-up to full liberalisation on January 1 1998.

Parties in search of a candidate as Milan's mayoral poll looms

Barely two months before the vote, a dominant personality has yet to emerge to run for mayor of Milan in local elections at the end of April.

Mr Silvio Berlusconi, the Milanese-born media magnate, former prime minister and now leader of the Italian rightwing opposition party Forza Italia, who once said "give me five years in power and I will change Italy", is clearly more interested in playing national politics in Rome. And being a mayor of a large Italian city is a full-time job.

So it seems are other leading northern political figures such as Mr Umberto Bossi, president of the separatist Northern League which currently controls Milan's city hall; or Mr Antonio di Pietro, the magistrate and former public works minister, who launched from Milan the *mani pulite* – clean hands – campaign that investigated the corruption scandals that rocked the Italian political and business establishment.

The Olive Tree centre-left governing coalition is fielding Mr Aldo Fumagalli, a former head of the young industrialists' association of northern Italy. At present, he appears favourite although he is hardly regarded as a crowd-puller and the charismatic leader the city has been seeking to revive its flagging spirits.

Mr Fumagalli was originally chosen as a stalking horse by the Olive Tree in anticipation of the nomination of a blockbuster opposition candidate. Mr Marco Formentini, the city's Northern League mayor, plans to run for a second term, but few give him any serious chance of victory. His management of the city has been bland and the citizens of Milan complain of a fall in their quality of life since he took over in 1993.

The cultural life of the city has deteriorated, pot holes have multiplied in the streets and graffiti have spread to virtually every historic building.

The loss of Milan would be a significant political blow for the Northern League. Control of the rich north's industrial, financial and cultural capital has been an important symbol for the credibility of the separatist movement.

In recent months, Mr Bossi has had to water down his secessionist ambitions because of lack of popular enthusiasm. A defeat in Milan in April would dilute even further his political standing. That ultimately may force him to negotiate a deal with the centre-right opposition led by Mr Berlusconi.

The TV media mogul would dearly like his Forza Italia party to win control of a city that has traditionally voted for the left. He courted Mrs Letizia Moratti, the former president of the Rai state broadcasting company, but she refused to represent the party.

And yesterday he failed to persuade her brother-in-law Mr Massimo Moratti, a Milanese businessman and the chairman of Inter Milan, the first division soccer club,

Formentini: faces uphill battle to win second term

to take the plunge. Mr Moratti, a popular figure in the city, would have become a strong favourite to win. After lunching with Mr Berlusconi – who owns AC Milan, the city's other big soccer club – Mr Moratti said he had considered running, but only at the head of a non-partisan civic list. Mr Berlusconi wanted a political commitment the Inter Milan chairman was not prepared to make.

The local contest, which could have national repercussions in view of the government's fragile majority, is now turning into a Pirandello plot: "Six parties in search of a candidate."

Paul Betts

EUROPEAN NEWS DIGEST

Russia cabinet changes soon

Russia is on the verge of significant cabinet changes, according to Mr Victor Chernomyrdin, the prime minister, echoing similar remarks by President Boris Yeltsin earlier this week. "It will not be purely decorative," the premier said. "We are talking of... an intensification of market reforms."

The changes seem likely to be announced next week in Mr Yeltsin's annual state of the nation address, and come at a time of mounting popular discontent over unpaid wages and pensions and the economy's stubborn failure to reward the populace after five years of painful market reforms.

A round of sackings and new appointments could also be a way for Mr Yeltsin to reassert his authority after being sidelined by grave health problems for more than seven months. Rumours that the axe could reach as high as Mr Chernomyrdin are perennial in Moscow, but, on this occasion at least, they appear unfounded. A Kremlin spokesman said yesterday there were no plans to oust him. *Chrystia Freeland, Moscow*

Kiev ministers sacked

Ukraine's President Leonid Kuchma has sacked his finance and statistics ministers, his press service said yesterday. Mr Valentyn Koronevsky lost his finance post for "serious inadequacies"; Mr Olexander Osaulenko was reported to have been sacked for bad management.

The president has also moved Mr Vasyl Hureyev, the economy minister, and the minister for machine-building and the military complex, to other posts. *Reuter, Kiev*

Spanish trade gap shrinks

Spain's trade gap narrowed by 13.5 per cent last year as exports increased by 11 per cent in real terms, twice the overall growth rate in world trade, according to customs figures released by the economy ministry.

The export surge, the most favourable surprise in the country's 1996 economic performance, was also double the import growth rate in real terms. The ministry estimated that, together with tourism, the foreign sector contributed 0.6 points of the country's 2.2 per cent economic growth for the year. In current prices, exports were 13.2 per cent up at a record Pta12,931bn ($90.6bn) and imports 7.8 per cent up at Pta15,438bn.

The provisional annual deficit stood at Pta2,505bn, down from Pta2,895bn in 1995. Spain's shortfall in trade with the rest of the European Union, which accounts for more than two thirds of its total commerce, narrowed by 10 per cent to Pta989m. The expected slowdown in demand from European markets was offset by a 17 per cent boost in sales outside the EU. *David White, Madrid*

W German inflation eases

Inflation has eased a little in west Germany this month, according to preliminary figures from the federal statistics office. Based on surveys in four Länder (states), consumer prices rose by 1.8 per cent in the year to February, compared with 1.9 per cent in the year to January. Between January and February alone, the index rose 0.4 per cent.

However, separate figures on import prices suggested inflation pressures continue to build. In the year to January, import prices rose by 2.6 per cent, the biggest increase since the index began in 1991. The statistics office attributed this largely to the depreciation of the D-Mark. Fresh vegetable and coffee imports saw particularly large increases. *Ralph Atkins, Bonn*

Erbakan defends secularism

Mr Necmettin Erbakan, Turkey's Islamist prime minister, yesterday made an unexpectedly strong defence of the secular state as his government faced its fifth censure motion in parliament. The Islamist-conservative coalition easily defeated the motion by 281 votes to 246.

He said "secularism means showing respect to all religious beliefs. Secularism is not atheism." He hit out at extremist Islamists in his Refah party and fringe groups calling for the imposition of Islamic law: "You represent only 3 per cent [of the population]. You are becoming the tool of foreign powers which want to stop great Turkey."

His speech was seen as aimed at placating the military who have warned repeatedly in recent weeks that they will tolerate no deviation from Turkey's secularist, pro-western traditions. *John Barham, Ankara*

Offer by French bank unions

France's banking trade unions said yesterday they were willing to renegotiate a labour decree dating from 1937 which severely restricts the ability of banks to open in the evenings and at weekends. In exchange, they want commitments to preserve or create jobs and to reduce the overall length of the working week.

Mr Jean Arthuis, finance minister, said last week the decree was "destructive in terms of jobs, against the wishes of consumers and at the root of unjustified competitive distortions". *Andrew Jack, Paris*

■ Germany's biggest ever insider trading fine has been imposed in a case involving the takeover of a German industrial company by a UK concern. The fine totals DM1m ($595,000), with a further DM3.6m payable if another criminal offence is committed within a year. No names were mentioned.

■ Estonia's prime minister quit yesterday, ending his third coalition government. Mr Tiit Vähi had announced his intention to resign on February 13 amid a damaging apartment privatisation scandal.

■ Sweden had a SKr10.8bn ($1.46bn) trade surplus last month, against SKr9.6bn in December.

■ Norway had a current account surplus of DKr4.15bn ($646m) in December compared with DKr7.96bn the month before, the central statistical bureau reported.

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EU proposal to involve Turks sparks threat

Greek fury over Cyprus

By Lionel Barber in Brussels

Greece yesterday threatened to delay the European Union's planned enlargement to central and eastern Europe after the rest of the EU proposed involving the Turkish community in talks on Cyprus's future membership.

Mr Theodoros Pangalos, Greek foreign minister, called the initiative "hostile and deceitful" and denounced Britain, France and Germany, its chief sponsors. "Greece will not accept any lords within the EU," he declared.

The stand-off soured the atmosphere at a meeting of EU foreign ministers in Brussels, curtailing plans for member states to reach a joint position on Cyprus. However, a meeting with the Greek Cypriot government went ahead.

The EU initiative dovetails with intense diplomatic efforts to broker a peace settlement between the Greek and Turkish communities before accession talks in early 1998. Without a deal, the Union would have no option but to delay membership or risk importing a political crisis.

It also reflects pressure for a more even-handed approach to the issue of Cyprus membership, fuelled partly by US demands that the EU do more to avoid alienating Turkey, which is a long-standing member of Nato. Ankara has threatened to block expansion of the military alliance if it does not obtain satisfaction on the Cyprus issue.

Mr Hans van den Broek, the EU's external affairs commissioner, is due to visit Cyprus today for talks with both communities. He told the Reuter news agency that it was useful to give a signal to the northern part of Cyprus that the Turkish community should be involved in the accession process "as soon as possible". However, the idea was not intended to be a change in the EU's position.

The Union is pledged to open accession talks with Cyprus six months after the end of the Maastricht treaty review conference which is supposed to prepare the EU for expansion to 20 or more members. That conference is due to finish in mid-summer.

Mr Dimitris Reppas, Greek spokesman in Athens, said: "The path to EU enlargement to the east will become very difficult if the agreement concerning Cyprus's accession changes."

Juppé looks for allies on left

By David Buchan in Paris

Mr Alain Juppé, the French prime minister, yesterday appealed to the political left to help him blunt the far-right National Front's campaign against all immigration. At the same time, President Jacques Chirac criticised the European Parliament for passing a resolution last week urging the French government to withdraw its controversial bill against illegal immigration. The president called it a "clear interference in France's internal affairs".

As a 120,000-signature petition against the bill was lodged with the National Assembly, Mr Juppé acknowledged in Le Monde newspaper that France had been plunged into "a state of emotion" by a single clause in the version of the bill which has already received a first reading in parliament. This requires those hosting foreigners from outside the European Union to report their guests' departure to the local mayor.

This clause sparked widespread demonstrations and petitions, led by French intellectuals, in protest at being obliged to "inform" on people in a way that smacked of the wartime Vichy administration.

"We have still not exorcised the shame [of Vichy]," admitted Mr Juppé. But he said the clause was being amended, and warned that if the left did not join in curbing illegal immigration, it would serve the interests of the National Front which makes little distinction between illegal and legal immigration.

An amendment, due for a vote today, would make government *préfets* responsible for approving foreigners staying in private French houses. Foreigners would simply leave the departure tab of their visas with immigration control as they left the country. The US has a similar practice.

Despite the momentum of the two-week campaign against the bill, public opinion appears to be with the government rather than the petitioners. But the government's image has suffered, as has that of the Socialist opposition which has been slow to find its voice on a row that, overall, seems to have benefited the Front.

Meanwhile, Mrs Catherine Megret, the Front member elected mayor of the southern town of Vitrolles earlier this month, has created an uproar by telling a German newspaper she plans to cut social payments to immigrants and to replace social workers with police.

Though social security, at least, is not in her gift, the intervention of Mrs Megret, whose husband Bruno ranks second only to Mr Jean-Marie Le Pen, the party's leader, has aggravated nerves about the Front.

Vienna male players forced to face music

By Eric Frey in Vienna

One of the last male bastions in the musical world may fall tomorrow when the Vienna Philharmonic votes on whether to admit women.

Under growing political pressure in Austria and threatened with public protests on their forthcoming US tour, the orchestra's 135 members are almost certain to revoke their 155-year-old policy.

At a stormy general meeting last week, the issue failed to come to a vote, but many younger members spoke in favour of change. Some key players in what is one of the world's great orchestras are not happy, however. "The way we play has a lot to do with soul and this cannot be separated from gender," flautist Mr Dieter Flury told a television talk show.

Others have cited labour regulations, which grant female artists up to four years' maternity leave, as a barrier to women members.

The orchestra will not vote formally tomorrow on female admission, but whether to adopt a more flexible leave policy which would apply to men and women alike. If passed, however, the resolution will open the door to female players.

The issue has come to the fore in recent months following a question in the Austrian parliament last autumn. The subsequent wave of criticism in the international press has hurt the orchestra's reputation, but has also fostered resentment among its independent-minded members.

"We are a private club and do not accept this kind of interference," Mr Werner Resel, a cellist and official spokesman, warned at a press conference last week. "If the pressure on us continues, we might just dissolve ourselves."

As a private institution, the Philharmonic is shielded from anti-discrimination laws, but its players also make up the State Opera Orchestra, which is publicly funded.

The state secretary for cultural affairs, Mr Peter Wittmann, and the opera director, Mr Ion Holender, promised last month to compel the State Opera Orchestra to admit women. If the Philharmonic players were to withdraw, they would lose a good share of their income, estimated at $180,000 per member a year.

Even if the Philharmonic opens auditions to both genders, it could take years until women start to make an impact in the orchestra pit. Most leading European orchestras have only a handful of women players.

Have viol will travel: female Viennese music students may soon aspire to join the Philharmonic — Tony Andrews

Slovenia MPs seek to end their stalemate

Failure to agree on coalition has blocked policy decisions

The Slovenian parliament votes tomorrow on whether to end a four-month political vacuum and approve a new coalition government.

Mr Janez Drnovsek, prime minister-designate expects the coalition put together last week to win at least 52 votes in the 90-member National Assembly.

The coalition teams his Liberal Democrat party (LDS) with the conservative People's party (SLS) and the small DeSUS pensioners' party. Mr Marjan Podobnik, SLS leader, said he expected the government to last its full four-year term. Opinion polls suggest that 56 per cent of the country's 2m people agree. Decision-making has been paralysed in the ex-Yugoslav republic since general elections last November failed to produce a clear majority. The coalition aims to promote long-term growth in gross domestic product, force inflation down from last year's 9.7 per cent, pass a budget for 1997 and complete industrial privatisation.

In the 21-strong cabinet, the LDS keeps the grip on economic policy it has held since Mr Drnovsek came to power in 1992, retaining the finance and economic affairs portfolios. The SLS candidate for foreign economic relations, Mr Marjan Senjur, was closely connected with the previous government's economic policy.

SLS demands from the election campaign, including protection for farmers from cheap imports and improvements in the judicial system to prosecute managers for dishonesty in the privatisation process, are expressed in general terms in the coalition agreement with little detail on implementation.

Many differences between the parties remain unresolved, such as privatisation of the country's largest bank, Nova Ljubljanska Banka, following the restructuring of communist era debts.

The SLS wants to keep it and the other state-owned bank out of the hands of "red managers" left over from the communist era – many connected with the LDS: for example, Mr Drnovsek is a former employee.

Few issues are more pressing than the main coalition parties' ambition for Slovenia to join Nato and the European Union. Russian objections to Nato's expansion eastwards are muted in Slovenia's case and several US officials have backed its bid for membership.

Slovenia, which boasts the highest living standards of all the former communist countries, is pressing its case alongside the Czech Republic, Hungary and Poland for the EU's next wave of expansion. But an association agreement signed last June has still not been ratified in Slovenia – the EU's mission head in Slovenia, Mr Amír Naqvi, says a formal application cannot be lodged until this is done.

Demands for the return of Slovenian property confiscated from Italian former residents following the second world war held up the association agreement for two years. A compromise has now been reached.

The association agreement calls for removal of a constitutional prohibition on foreign land ownership. The SLS wants some land, including border areas, protected from foreign ownership. But the EU is calling for full liberalisation. Italy is unlikely to ratify Slovenia's association until its citizens are allowed to own Slovenian property. The government also needs to speed up economic change to prove its commitment to full membership, enacting banking reform, takeover regulation and the introduction of value-added tax.

Further economic development could be threatened by slow change. Industrial production is still a long way below its level in 1990 and many newly privatised companies suffer from capital shortages and outdated technology and marketing. "If we are serious about EU membership, we need an economic policy clearly focused on adjustment. We have not had that up to now," said Mr Andrej Kumar, professor of international economics at Ljubljana University.

Jack Grimston

Potential investors are being offered incentives under plans for a 'multimedia super corridor'

Mahathir woos IT leaders in bid to beat Singapore

The fact tbat Dr Mahathir Mohamad, one of the world'e most trenchant critics of the western media, went to Hollywood at all was unusual. Bnt to see bim wooing investment from the sharpest operators in the global information technology (IT) industry was a sign that Malaysie's prime minister may be shuffling his priorities.

He kept up a blistering pace, averaging 11 presentations a day to business leaders as be criss-crossed Silicon Valley in California last month. He did so without eating or drinking during daylight, in accordance with Islamic rules during the fasting month of Ramadan.

He was promoting the "multimedia super corridor", a top priority project which aims to create Asia's leading silicon valley in a 750 sq km zone near Kuala Lumpur, Malaysla's capital. His urgency stemmed in part from the fact that Singapore, Malaysia's neighhour and economic rival, is already a few steps ahead in realising the same ambition.

Both countries, scared of being left behind in bigh tecbnology developmente and saddled with spiralling wage costs, are trying to outdo the other in creating the best conditions for foreign investment.

The rivalry has meant not only that potential investors are being offered unprecedented incentives, but also that each country is coming under pressure to soften foreign media controls.

Although the corridor plan was formally announced only last year, Dr Mahathir said this week it should take off next month with approval of a new "multimedia university" to he built in a planned futuristic city, called Cyberjaya. Also next month, Nippon Telephone and Telegraph, the Japanese telecom company, is expected to win the first approval for any investment project in the corridor.

The government hopes NTT's example will infect others in a 30-member advisory panel. The panel's participants could be a Who's Who of the IT industry hut sceptics argue they may have joined the scheme out of mere curiosity and do not intend to invest. But some, such as Microsoft – which set up its regional headquarters in Kuala Lumpur last year – are ehowing more than a passing commitment.

All members of the panel – which includes IBM, Sony, Oracle, Apple Computer, Sun Microsystems, Compaq, Siemens, Motorola, Netscape and others – would be eligihle for the most attractive package of incentives Malaysia has ever offered. They would get 10-year tax holidays, be allowed to employ an unlimited number of foreign staff and, in an unprecedented relaxation, be permitted to be owned 100 per cent by foreigners.

Such companies will also be allowed to bid for projects within the corridor on preferential terms. This, analysts said, was a considerahle draw because more than M$30hn (US$12bn) in development schemes are planned for the zone.

Kuala Lumpur plans to cater to small emerging cyber companies as well as large multinationals. It announced last week it would launch late this year a stock exchange to allow small hnt promising high-tech companies – local or foreign – to raise capital by floating their shares. This could become a key advantage for Malaysia as initial public share offerings have only rarely been known to fail on its robust stock market, economists said. By contrast, Singapore witnessed several failed flotations on its smaller, less liquid bourse last year.

"Malaysia has advantages in its greeter land area, lower costs and in that it has the political will to see this project througb," said Mr Dominic Armstrong, head of research at Pesaka Jardine Fleming in Kuala Lumpur.

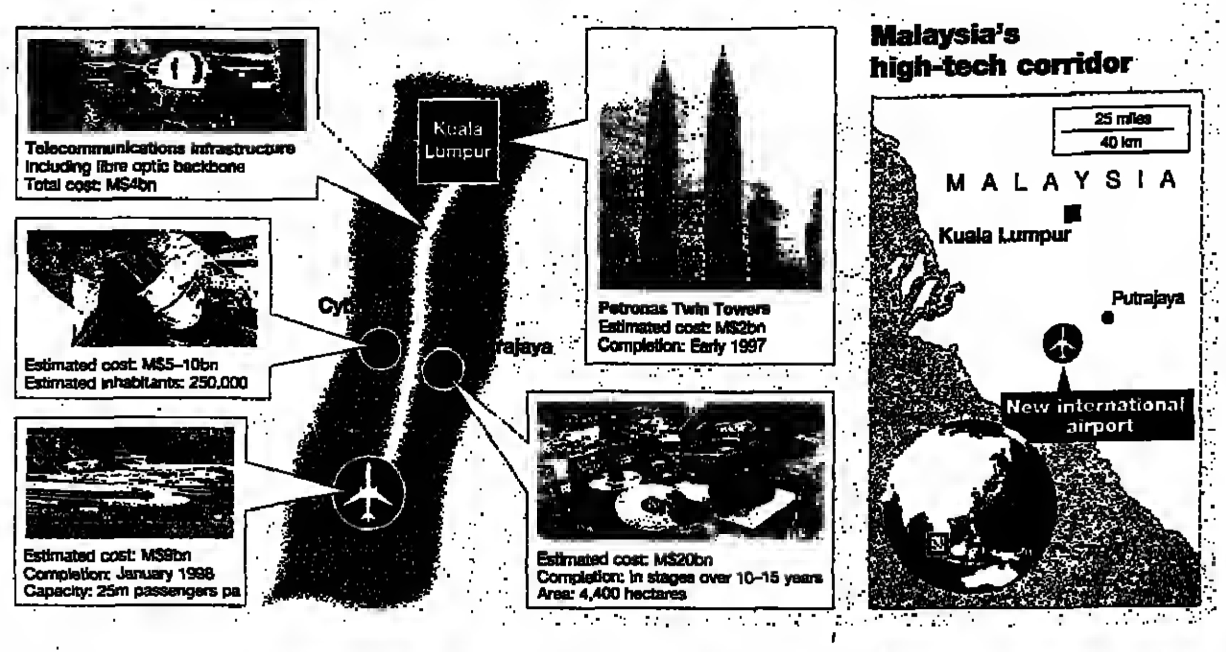
Singapore, though, has formulated different strategies to woo companies to tha "intelligent island". It is in the process of integrating the entire island into a high capacity multimedia cable network capable of carrying television, cable TV and Internet eignals to a wall eocket in every home. It plans to start allowing credit card transactions over the Internet later this year, as a step along the way to becoming a "cashless society".

Last year, Singapore said it was doubling the value of research and development grants to companies, foreign or local, on the island to S$4bn (US$2.8bn) over the next five years. Senior foreign executives said the generous grants, as well as the island's reliable infrastructure, computer-literete people and highly efficient workforce were the city-state's strong points.

But meterial incantives are only part of the picture. Both governments have been pressured to reassure companies that freedom of expression will not be impaired.

In California, Dr Mahathir was made to promise repeatedly that censorship rules un Malaysia's domestic media would not hold sway within the corridor. In Singapore, an official of the Singapore Broadcaeting Authority, which regulates the broadcast media, ecknowledged equipment had been installed in the city state last year, partly to block access to undesirable sites on the Internet. Bnt he added the equipmant was only intended to do a "symbolic" joh.

James Kynge



Tearful Jiang seeks to don Deng's mantle

By Tony Walker in Beijing

President Jiang Zemin yesterday delivered an emotional eulogy to the memory of Deng Xiaoping, China's deceased paramount leader, emphasising his attachment to Deng's reformist policies.

Wiping tears from his eyes Mr Jiang expressed "profound grief" over Deng's deatb. He was making a memorial address in Beijing's Great Hall of tbe People attended by 10,000 mourners, including top leaders and Deng's family.

Western officials and Chinese said Mr Jiang's sbow of emotion did not necessarily enhance confidence in him.

Criticism of his performance as president underlined the difficulties be faces in asserting his authority during wbat may be an uneasy transition to a post-Deng leadership.

The 70-year-old is engaged in delicate efforts furtber to consolidate his grip on power. These are edgy moments in China as the country comes to terms with Deng's death.

But Mr Jiang can rely for the time being on the strong support of the official media, witb China's propaganda apparatus under the control of his supporters.

People's Daily, the Communist party newspaper, in an editorial today linked Mr Jiang firmly with Deng's legacy, saying the new leader was "bolding high the banner" of reform.

Tbe editorial repeatedly referred to Mr Jiang, as the "core" of China's leadership and custodian of Deng's policles. His supporters bung a banner in the cavernous auditorium of the Great Hall for the memorial meeting which read: "Under the party's leadership with Jiang Zemin as its core, carry out the unfulfilled wishes of Deng Xiaoping."

Mr Deng's family, including his widow and five children, seemed cool towards Mr Jiang wben they appeared together in public over the past several days.

Mr Jiang's anti-corruption campeign, launcbed in August, 1993, ensnared a business associate of Mr Deng's younger son.

The Deng family bas been forced to lower its profile hecause of concern its involvement in business might besmirch the family's name.

The official six days of mourning for Deng ends today. China is preparing for the annual session of its parliament which begins on Saturday. It will provide Mr Jiang with an early opportunity to demonstrate be is in command at the top.

At last Tokyo says 'Yes' to the pill

By Michiyo Nakamoto in Tokyo

Japanese women are finally to be allowed to use the low-dose hormone contraceptive pill, the main form of oral hirth control in the western world but still banned in their own country 30 years after its introduction.

A government report unveiled yesterday says contraceptive pills are safe and effective, an endorsement which paves the way for government approval.

Nine pharmaceutical companies have eubmitted applications for approval for low-bormone pills, in anticipation of a market worth an estimeted Y100hn ($818m) a year.

The expected lifting of the ban – after seven years of official deliberation – could usher in significant social change as Japanese women exercise greater choice in their method of hirth control.

North Korea remains the only other country where the low-dose hormone pill is illegal.

The change of mind comes in the face of long-standing opposition from doctors and the rubher industry which could lose billions of yen in revennes once the pill is formally approved. The condom industry has an estimated Y70bn in sales in a market where condoms have an 86 per cent share of the contraception market.

Opposition hy many Japanese doctors on the grounds the pill's safety could not be guaranteed has sustained high-level demand for abortions, condoms and the high-dose hormone pill, restricted to use for medication. Japan has one of the highest rates of abortion in the world, with 343,000 cases reported in 1995.

"It increases the options for contraceptiou and is better for the bealth of women" than the high-dose bormone pill prescribed for medical conditions, says Ms Kumiko Takahashi of the Japan Women's Council.

The Ministry of Health and Welfare considered lifting the ban on the pill in 1992 but concerns that a decrease in use of condoms might contribute to the spread of Aids prompted it to withhold approval.

Further atudies failed to link availability of the pill with the spread of Aids.

The findings of the government study gronp will be suhmitted for deliberation by at least two other government advisory panels, but yesterday's report is believed to be the biggest step towards approval for over-the-counter sales of the pill and is expected to come within the year.

Asia-Pacific economic strategists to meet

By Jonathan Annells in Tokyo

Japan will host a meeting of senior Finance Ministry and central bank deputy governors from six dominant Asia-Pacific economies next month to discuss regional economic strategy.

The officials from China, Japan, Singapore, Australia, the US and Hong Kong. will meet in Tokyo on March 4 to discuss economic policy and co-operation in financial markets. The session, the first of its kind, was inspired by the US government and is intended to be e regional version of the Group of Seven industrialised nations.

The grouping emhraces China, the world'e second largest holder of foreign reserves after Japan, in recognition of tbe enormous impact it could have on financial markets as it continues economic reform under a new administration. China's gold and foreign reserves totalled $98bn in September 1996, compared with Japan's $100.3bn, according to Chinese official data.

Hong Kong is included, even though it reverts to Chinese sovereignty on July 1, because the Hong Kong Monetary Authority – its central bank – is eupposed to retain control of its own $70bn currency reserves.

The US will be represented by Mr Lawrence Summers, deputy treasury eecretary, and Mr Lawrence Meyer, federal reserve governor.

Australia moves towards sell-off of AIDC

By Nikki Tait in Sydney

The long-awaited privatisation of AIDC, the Australian development capital group owned hy the federal government, moved a step closer yeeterday after legislation to effect the sale was approved by government MPs.

The AIDC sale hill will now need parliamentary approval before the privatisation can take place. Financial advisere were appointed to handle the sale late last year, and initial expressions of interest songht from wonld-he purchasers of the business as a whole.

The new coneervative coalition government has indicated it would like to see the sale finalised hy mid-year. The former Labor government bad aleo planned to privatise the hank, which was originally set np to form a link hetween government industrial policy and business needs. But the plan was called off in 1995, amid weak results and management upheavals.

Instead, the government bought back the 19.4 per cent of AIDC which it did not own, at a cost of around A$60m (US$47m).

In tbe following 1995-96 financial year, AIDC made an improved A$45.5m profit after tax, up from A$28.8m.

AIDC'e activities range from capital markets activities to project finance and investment services. It bas stakes in a number of infrastrnctnre-related consortia, and owns 48.35 per cent of Australian Snbmarine Corporation, whicb is bnilding submarinee for the Australian navy alongside Sweden's Kockums Group.

India set to maintain growth level this year

By Mark Nicholson in New Delhi

India is set to sustain its post-reform "momentum of growth" this fiscal year with an agriculture-led 6.8 per cent rise in GDP and new peaks in domestic savings and investment rates, according to the Finance Ministry's annual pre-budget economic survey.

But the survey, an expreseion of Finance Ministry views rather tban government policy, also said growing shortfalls in electricity generation and oil production had produced a "mixed picture" in the economy, contributing to a fall in industrial production for 1996-97 against the year earlier.

Production grew 9.8 per cent in the first seven months of this fiscal year ending in March, against 11.7 per cent a year earlier.

Revived agricultural growth of 3 per cent, against an "unexpected and unexplained" fall of 0.4 per cent the previous year, kept the economy in line with overall growth rates exceeding 7 per cent in the two preceding years, the survey said.

It said gross savings had risen to 25.6 per cent of GDP in 1995-96, the latest data available, from 24.9 per cent a year earlier, with gross domestic investment also reaching a record 27.1 per cent against 25.9 in 1994-95.

The survey suggested that in Friday'a annual hudget, Mr P. Chidambaram, finance minister, might reveal a fiscal deficit close to his targeted 5 per cent of GDP, a 0.8 per cent improvement on the preceding year. Government receipts were up 18 per cent this fiscal year, with expenditure said to have risen at 12 per cent this year against 17.5 per cent last year.

It said India's "key challenge" was further cuts in the fiscal deficit "to below 4 per cent of GDP as soon as possible", but warned that the "normally difficult task" of fiscal probity would be "accentuated in the coming years" hy a recent public sector pay commission: which recently advocated adding a total of around Rs10bn ($279m) to the state's wage hill.

The survey also suggested the government might soon announce a long deferred rise in petroleum product prices, warning that India's oil pool account, the net deficit resulting from administered prices and fuel subsidies, was expected to exceed Rs150bn hy March 31. "There is no economically viable alternative to adjusting petroleum prices," it said, adding that India must also phase out the present controls on most fuel prices.

World Bank may assist Andhra Pradesh reforms

By Mark Nicholson

The south Indian state of Andhra Pradesh is discussing with the World Bank an "economic restructuring" loan worth up to $400m designed to etreamline bureaucracy, increase revenue and aid restructuring of its ailing power sector.

Talke are in tbe early stages on the proposed loan, wbich would be the first negotiated by the Bank directly with an Indian state in order to underpin an economic policy programme. Like ell Bank lending it would be guaranteed by India'e central government.

It rapresents a further move by multilateral lenders towards specific state-level lending packages in India. The loan would follow the Bank's $350m loan to the eastern state of Orissa to back a restructuring of its state electricity sector and a recent $350m programme-style loan to the western state of Gujarat from the Asian Development Bank to bolster financial restructuring and infrastructure privatisation.

Both tba Bank and the ADB are shifting lending increasingly towards reform-minded state governments. Because of their more limited borrowing and fiscal resources these are in a few cases proving to be more ambitious reformers than India's central government, notably in areas such as privatisation.

World Bank economists have drafted a detailed economic report on Andhra Pradesh as a prelude to possible lending, the first of several targeting individual states. The document, resembling in format the Bank's annual Economic Memorandum on India, is due for publication next month when further talks on the loan package are expected.

The Andhra Pradesh administration is seen by Bank officials and foreign investors as among the more efficient and reform-minded in India. However, the state's chief minister, Mr Chandrababu Naidu, whose Telegu Desam party is e component of the coalition United Front government in Delhi, is wrestling with a bankrupting populist legacy bequeathed by his late predecessor, Mr N.T. Rama Rao, the former movie star.

NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

Italian airline seeks damages

Alitalia is seeking damages from the receivers of Fokker, the bankrupt Dutch aircraft manufacturer, for its failure to deliver 10 Fokker 70 regional jets ordered by the Italian national airline in 1995. Alitalia originally ordered 15 Fokker 70s but the Dutch manufacturer only delivered five aircraft before collapsing.

The Italian flag carrier, itself undergoing extensive restructuring, also said it was grounding its five Fokker 70s because it claimed it was uneconomical to operate such a small fleet.

Alitalia ordered the aircraft to develop its network of services from regional Italian cities to large European destinations. It said it would now operate its older and larger MD-80 jets on these services. It did not disclose the amount of compensation it was seeking. The troubled airline is not able to order new regional jets because of its current restructuring involving injection of L3,000bn. This is being scrutinised by the European Union competition authorities. *Paul Betts, Milan*

Coca-Cola plans Asian fizz

Coca-Cola, the world's largest soft drinks producer, is accelerating its capital investment in Uzbekistan, the most populous country in central Asia. The group, together with its local bottling partners, will have spent around $130m in the four years from 1994 to the end of 1997 as part of a programme to create a modern soft drinks production and distribution system throughout the central Asia and Caucasus region.

Coca-Cola Bottlers Tashkent, its local Uzbek joint venture, is investing $55m to build a greenfield bottling and distribution facility at Koyluk, near Tashkent.

Construction will begin next month and is expected to be completed by the end of the year. The plant will triple Coca-Cola's soft drinks production in Uzbekistan and will create around 550 jobs.

The Uzbek joint venture, Coca-Cola Bottlers Tashkent, is majority owned and operated by ROZ Trading, controlled by the Maqsudi family, with a shareholding of 55 per cent. Coca-Cola Export Corporation holds 33 per cent and Pisbprom, a local state company, 12 per cent. The group, which opened its first plant in Tashkent in 1994, inaugurated its third bottling plant in Uzbekistan last week. *Kevin Done, East Europe Correspondent*

Tata expands steel operation

Tata, the Indian software to trucks industrial house, is set to expand its downstream steel operations in a joint venture with Inland Steel Industries, the US company. The Tata group flagship, Tata Iron and Steel, has formed a 50:50 joint venture with Inland to provide industrial materials management services.

The venture, Tata-Ryerson, will take bulk steel from Tisco and other manufacturers and process it to smaller sizes or specialist shapes for customers.

Tata said it expected that within five years, the venture would be able to process 1m tonnes a year and operate from five "service centres". *Tony Tassell, Bombay*

■ Hoechst Trespaphan, a unit of German chemical giant Hoechst, and Thai Petrochemical Industry, yesterday announced they would invest DM100m to build a new petrochemical plant along Thailand's eastern seaboard. The plant will initially produce 25,000 tonnes a year of trespaphan, a packaging film used in the food and drug industry, beginning in mid-1998. *Ted Bardacke, Bangkok*

Vietnam adds to refinery confusion

By Jeremy Grant in Hanoi

Vietnam yesterday added to the confusion over its attitude to foreign investors by insisting that foreign companies could still be involved in plans for its first oil refinery despite earlier terminating a joint venture with six foreign companies that had started work on plans for the $1.3bn scheme.

The chairman of the state oil agency, PetroVietnam, Dr Ho Si Thoang said yesterday the door was still open to foreign companies to invest in the refinery, which Vietnam hopes to build by 2000.

His comments contrasted with local press reports this week quoting company president Ngo Thuong Son as saying that Hanoi would press ahead with building the 130,000 b/d refinery by itself.

The project has been dogged with controversy ever since it was announced over a year ago. Whether it goes ahead or not, industry analysts say Hanoi's handling of the saga has cost it dear in public relations terms and has badly damaged PetroVietnam's image as a potential business partner.

"There's some question as to how committed Vietnam is to moving towards a market economy in the oil sector," said Mr Al Troner, managing director of Asia Pacific Energy Consulting in Kuala Lumpur.

"Their whole reasoning is more akin to that of a command economy."

Last month, PetroVietnam told its foreign partners that it would not offer them a series of concessions that they had requested to help attract financing.

They were Petronas of Malaysia, Conoco and Stone & Webster of the US, Chinese Petroleum Corp (CPC) and China Investment Development Corp. both of Taiwan, and LG International of South Korea.

Mr Son declared that Vietnam would have "no problem" finding the capital, despite the fact that its cost roughly equals the country's entire foreign exchange reserves.

Bankers scoff at the prospect of foreign financing. Aside from the perception among bankers that Vietnam is not yet a sound risk, the region faces refining overcapacity in the next few years.

In addition, the site for the refinery, a remote coastal spot known as Dung Quat, is 1,000 km away from Vietnam's oil fields. Last year, Total of France withdrew from the proposed project saying that it was uneconomical.

All companies but LG International are thought to have distanced themselves from the refinery. When asked if his company was still interested, an LG official in Hanoi said: "Of course. It can be discussed later on."

LG is known to want to build a petrochemical complex in the same area as the planned refinery, and analysts suspect the company is keen to demonstrate continued support for PetroVietnam as a way of buying goodwill.

The current confusion may indicate that policymakers in the communist party and government may be divided over whether the project is viable after all.

The refinery has assumed bloated political proportions after being portrayed as a landmark project virtually certain to go ahead. Diplomats say that if there are doubts about its viability, the question now facing Hanoi may be how to engineer a face-saving climbdown.

Funds flow to ex-Soviet bloc

By Frances Williams in Geneva

Foreign direct investment in central and eastern Europe and central Asia accelerated in 1995 and the first half of 1996, according to the latest figures from the United Nations Economic Commission for Europe (ECE).

The stock of foreign direct investment (FDI) rose by 80 per cent to $45.7bn at the end of 1995 compared with $28.7bn 12 months earlier, and preliminary information for 1996 suggests that the flow of overseas investment is continuing at a rapid pace.

Though Hungary still accounts for 30 per cent of the region's FDI stock, investment is growing more quickly in a number of other countries, notably Poland where the FDI stock jumped by 107 per cent in 1995, the Czech Republic and Ukraine (85 per cent), Russia (75 per cent) and Slovenia (70 per cent).

Poland is now the second-ranking host country for foreign investment, with 17 per cent of the regional stock, followed by Russia and the Czech Republic with 13 and 12 per cent respectively.

The five fast-reforming transition economies – Hungary, Poland, Slovenia and the Czech and Slovak republics – together account for two-thirds of the total. The ECE also notes that Slovenia and Hungary have per capita FDI stock of around $1,350 which puts them in the top rank of host nations for foreign investment.

Most FDI in the region comes from western Europe, especially Germany, but US companies are playing an increasing role, most notably in the oil and gas sector. At the beginning of 1996 US companies accounted for two-thirds of the FDI stock in Kazakhstan, followed by Russia and Ukraine where they held about a quarter of the FDI stock. Some transition economies are themselves becoming important overseas investors in their own right, the ECE notes, citing the Czech Republic, Poland, Hungary and Russia.

While most investment in the region has been concentrated in manufacturing and trade, FDI in Kazakhstan has gone mostly into oil and gas extraction which represents three-quarters of the $3.2bn FDI stock at mid-1996.

The figures are contained in the final edition of the ECE's quarterly East-West Investment News which is being discontinued as part of cost-cutting measures in the Geneva-based body.

World trade body sets up five panels to rule on disputes

WTO to probe US shrimp row

By Frances Williams in Geneva

The World Trade Organisation yesterday set up five new panels to rule on disputes as diverse as a US ban on shrimp imports and a tariff reclassification of computer equipment by the European Union. The move brings the total number of active WTO panels to 13, with over 30 others to preparation.

The shrimp case, brought by Malaysia, Thailand and Pakistan, relates to a US ban on wild shrimp imports from countries whose fishing fleets do not fit their nets with devices to exclude turtles. The shrimp exporters, backed by many WTO members, say the US is not justified in trying to apply its own environmental legislation to other countries.

The dispute has many similarities with a case involving a US ban on imports of tuna caught in ways that killed too many dolphins. That was the subject of two adverse panel rulings by Gatt, the WTO's predecessor.

US environmental groups were outraged by the rulings and they were never accepted or acted upon by Washington. This course of action was possible under Gatt but it is not an option under the stronger and semi-judicial dispute settlement procedures of the WTO.

In a second dispute, the US is challenging the reclassification of Local Area Network (LAN) equipment by the EU from computer equipment bearing a 3.5 per cent tariff to telecoms devices with a 7.5 per cent tariff. Washington says the move has adversely affected trade worth hundreds of millions of dollars each year.

Earlier this month, the US filed separate complaints against Britain and Ireland on the same issue, but the EU has rejected the request for consultations on the grounds that it alone has competence to speak for member states on tariff issues.

Other panels were established yesterday to examine Hungarian export subsidies in complaints brought by Australia, New Zealand, the US and Argentina; a 25 per cent box office tax on foreign films shown in Turkey which the US says breaks WTO non-discrimination rules; and a complaint by the US against Argentina relating to excessive duties on textiles, clothing and footwear.

However, Brussels yesterday blocked a US request for a panel to their long-running dispute over the EU's tariff regime for grains.

Brussels fashions import duties from China's little black bags

By Peter Marsh

Fancy a little black bag to go with that latest outfit? Women who live in western Europe may end up paying more as a result of import duties imposed by the European Commission on Chinese-made handbags.

The duties of up to 39 per cent are being contested by importers and retailers, which say they will cramp consumer choice and lead to higher prices.

Nearly half the estimated 148m handbags sold in western Europe last year came from China, according to European Commission figures. In the shops, Chinese bags often cost around a quarter of the price of £70 ($114) or so of an equivalent bag made in Europe.

"We are disappointed that the Commission did not take into account all the relevant issues and hope it will reconsider," said Mr Alberto Bichi, assistant director at the Brussels-based Foreign Trade Association, which represents importers and retailers of textile goods across Europe.

Marks and Spencer, the UK retailer, said the duties were "unwarranted and unnecessary" and against consumer interests. They were instituted this month on a preliminary basis after a study into the effect on manufacturers in Europe of imports of a wide range of Chinese-made luggage.

Proposals for duties on Chinese-made schoolbags and sports bags were dropped, leaving only handbags affected. A decision on whether to make the duties permanent is to be taken by the summer.

Complaints about the large volume of bags from China were made to the Commission by the Paris-based European Federation of Producers of Leathergoods and Luggage. Brussels has been swayed by the arguments of bag makers mainly in Italy and Spain that the Chinese products are being sold in Europe at below their production price, constituting "dumping".

But many European importers argue that the Chinese bags represent products that are virtually impossible to purchase from European makers. Mr Nicholas Long, chairman of the UK's Luggage and Leathergoods Association, said most Chinese products were "totally different" in design from those made by European manufacturers, which in recent years have moved up-market to relatively high price styles.

Mr David Shilton, chairman of Shilton, a UK supplier of bandbags and fashion goods, said: "The Commission's action is inflationary and will do no one any good." Other handbag suppliers have warned that, as well as pushing up prices, the import duties could have the impact of threatening thousands of jobs in retail and distribution of textile products. Total retail sales of handbags across Europe last year totalled an estimated £1.5bn ($2.5bn).

The Commission said it was still examining all factors regarding the handbag market before a final decision on the duties.

Chile's Nafta hopes fade as trade pacts lose US favour

Nancy Dunne finds growing hostility as Frei visits Washington

The North American Free Trade Agreement will be the silent, brooding partner at the table when President Bill Clinton meets President Eduardo Frei of Chile in Washington today.

Nafta has become deeply unpopular in the US. Radio and television call-in programmes reflect a widespread belief that free trade policies and pacts such as Nafta are to blame for lost jobs, a view that appears to have gained the upper hand in Congress as well.

Mr Clinton needs to win "fast-track" negotiating authority from Congress if he is to succeed in expanding Nafta beyond Canada and Mexico to include Chile – as he has been promising to do for the past four years. It is also seen as vital to giving credibility to his push for an Americas-wide free trade agreement.

Well aware of anti-Nafta sentiment, officials in Santiago have been playing down Nafta expansion and insisting that Mr Frei's agenda is "more political and institutional than just trade". But desperate for any sign that trade liberalisation in the US is not as dead as it looks, Chile and members of the Washington trade community have been considering a proposal for a straight bilateral trade pact between the US and Chile, without the Nafta baggage.

Chile has already negotiated two-way free trade agreements with Canada and Mexico, seen as "bridging" arrangements until Nafta accession is possible. Because a similar bilateral with the US would be less complicated than Nafta, Congress would not necessarily have to approve a fast-track.

Nafta proponents argue that the US has gained from Nafta because in its first three years – from 1993 to 1996 – US exports and total trade rose. However, the US merchandise trade deficit with Canada jumped from $11bn during the period to $23bn, and the $1.7bn surplus with Mexico in 1993 melted into a $16bn deficit last year.

A new report from Public Citizen, a research and lobby group that generally opposes free trade, concludes that Nafta has cost the US more than 600,000 jobs. The Economic Policy Institute, a liberal think tank, in another paper warned: "The same false urgency and imbalance of political power that yielded a lopsided Nafta – with strong protections for the property rights of transnational corporations and unenforceable protection for labour and environmental standards – is likely to produce a similarly unbalanced agreement with Chile, and with future Latin American partners."

Views such as these have gained increasing currency in Congress, which has seen the departure in the last election of many senior pro-free trade members from both parties.

Ms Charlene Barshefsky, US trade representative designate, has vowed to ask Congress for broad negotiating authority to expand Nafta to Chile and the rest of the Americas, but the administration has yet to devise a strategy which could command majority support in the House.

"It is more difficult than ever to find a majority of people to agree on a specific approach to fast-track," said Ms Lori Wallach of Public Citizen. "The next time anyone touches Nafta, there will be a majority which wants to fix the original deal. Some want a mechanism to adjust for currency fluctuations. Some want to fix the investment agreement. The Democrats want strong environment, labour and human rights provisions."

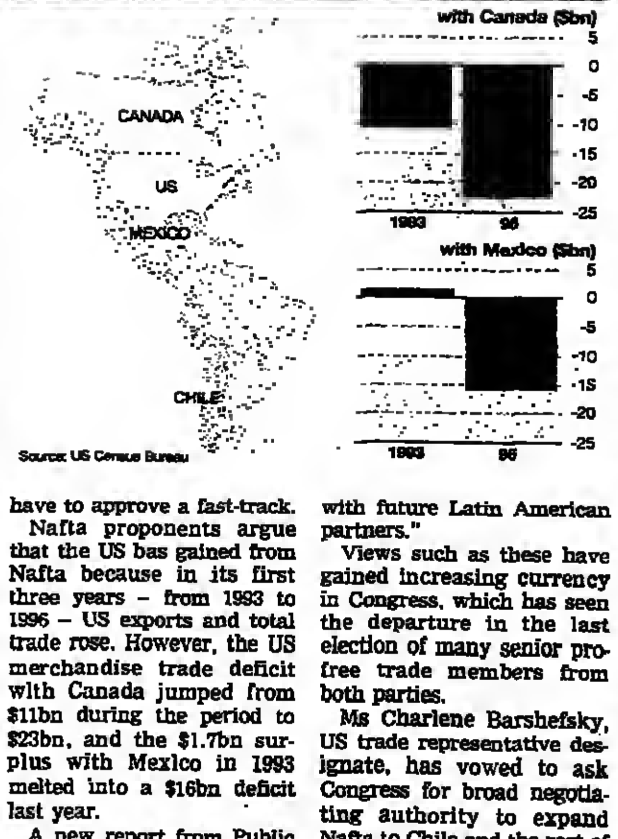
There are also Republicans who want the fast-track to forbid the inclusion of environment and labour provisions and moderates in both parties who favour a fast-track which glosses over those issues by not mentioning them.

Nafta also has lost the support of important environmental groups. Even those that supported Nafta after the administration negotiated an environmental "side pact" now want the environment to become a priority "on par with other negotiating objectives" in trade talks.

The AFL-CIO, the umbrella labour group, last week declared its opposition to a fast-track without enforceable provisions on worker protection and environmental standards.

Faced with this opposition to their own party, the administration has been paralysed, according to a House aide, who said it was vital that Mr Clinton act on two levels: defending Nafta and inspiring support for new trade initiatives.

One such is the so-called region-wide Free Trade Area of the Americas, a summit for which was being prepared yesterday by junior ministers from across the Americas. Mr Clinton, in his first presidential trip to Latin America, is scheduled to visit Mexico, Costa Rica, Barbados and Argentina in the next two months before attending the FTAA summit in Brazil in May. The rhetoric will flow freely. But without any sign of congressional backing, his credibility and negotiating position will be severely weakened.



NEWS: INTERNATIONAL

Israeli PM unswayed by criticism of east Jerusalem plan for Jewish homes

Netanyahu firm on Har Homa

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, is today expected to approve the construction of a new Jewish settlement at Har Homa in east Jerusalem, which will cut off the Israeli-annexed Arab part of the city from the Palestinian-ruled areas of the West Bank.

The decision, follows growing international criticism and warnings from the Palestinians that it could lead to a wave of unrest which could jeopardise the steady progress recently made in the Mideast peace talks.

If the ministerial committee gives the go-ahead, it will also mean that the Israeli government is undermining the spirit of the Oslo agreements signed by Israel and the Palestinians in 1993.

Mr Netanyahu yesterday appeared uncompromising about his determination to press ahead with the Har Homa development for 6,500 homes for Jews. "I want to clarify unequivocally – we will build in all Jerusalem. We will also build at Har Homa," he said after a meeting of the Knesset foreign and defence committees.

In an attempt to assuage international and Palestinian opinion, Mr Netanyahu said he would build homes for the Palestinian population in several districts in east Jerusalem. "I hope people will weigh things in a practical way and understand we are acting here for the good of Arabs and Jews, and of course with the aim of continuing the peace process along additional channels".

But Mr Salah Taamri, a member of the Palestinian Legislative Council, said Har Homa would drive a wedge between the northern and southern parts of the West Bank. "They [the Israelis] will create a wall in the heart of the Palestinian population," he told Israel Radio.

He said he would urge talks between Israeli and Palestinian leaders to try to avoid confrontation.

Mr Yassir Arafat, president of the Palestinian Authority, is trying to mobilise support from the Arab League. But it is still unclear what strategy the Palestinians will adopt if Har Homa is approved.

Mr Ahmed Tibi, an adviser to Mr Arafat, yesterday said any decision to build Har Homa would be a "miserable one. A serious mistake. This is a clear provocation of the agreements. There is no doubt that there will be a Palestinian protest, on the official level and on the popular level," he said.

In recent days Mr Netanyahu has come under increasing pressure from his own party and his coalition partners.

Several deputies have threatened to undermine the government if the prime minister does not go ahead with the Har Homa project. A Likud parliamentary deputy recently said he would go as far as to obstruct legislation put forward by his own party.

Settlements still the stumbling block

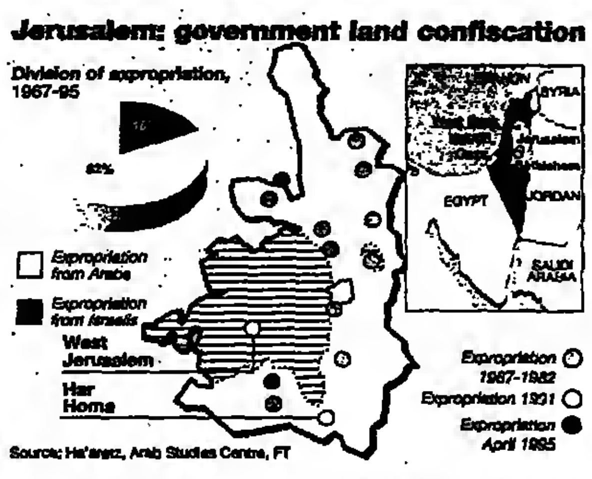
PLO says building Har Homa would be declaration of war. Avi Machlis reports

Sandwiched between Palestinian-controlled Bethlehem and west Jerusalem is the serene, green hill called Har Homa, the focus of the latest round in the battle for the disputed city.

Israel has built many such settlements during its 30-year attempt to claim the entire city as its undivided capital.

However, this time, Jerusalem is on the agenda of final status talks between Israel and the Palestinians, set to begin next month. The talks will also concentrate on future Israeli-Palestinian borders and the fate of 4m Palestinian refugees.

Jerusalem: government land confiscation



Source: Ha'aretz, Arab Studies Centre, FT

"I hope Netanyahu will have enough wisdom to let these matters be discussed at the negotiating table," said Mr Faisal Husseini, a Jerusalem-based member of the Palestine Liberation Organisation.

He warned that a unilateral decision to build Har Homa, called Jabal Abu-Ghneim by Arabs, would be a "declaration of war" that could spark a renewed uprising by Palestinians.

The potentially explosive plan is a continuation of Israel's policy of building homes for Jews in east Jerusalem, which it captured in the six-day war of 1967. The strategic goal has been to cut off Jerusalem's Arab sections from the West Bank, thereby preventing it from becoming capital of a future Palestinian state.

About 80 per cent of this land was expropriated from Palestinians, who refused compensation in protest. Of the 450 acres taken for Har Homa, about two thirds has been confiscated from a Jewish land developer and one third from Palestinians in nearby villages of Bet Sahour and Umm Tubba.

But to Palestinians, Har Homa is more than just a confrontation between landowners and Israeli authorities over land confiscations.

"Har Homa represents the only [remaining] link between Palestinian areas in the West Bank and east Jerusalem," said Mr Ghassan Andoni, a Palestinian activist heading the campaign against Har Homa on behalf of Bet Sahour residents.

"Stopping it is the only hope for a compromise on Jerusalem in the future."

This is why Palestinians flatly reject an Israeli proposal to build housing for Arabs along with Har Homa. Mr Andoni said this proposal deflected from the real issue symbolised by the project, which was whether Israel was committed to the fundamentals of the Oslo peace accords.

In the Oslo accords of 1993, the PLO and Israel's former Labour-led government deferred discussion of Jerusalem to the final status agenda, recognising it as one of the most complicated disputes to resolve.

Inherent in this agreement was a tacit understanding by both sides that Jerusalem's status would not be determined by unilateral actions before the final status talks. Nevertheless, the Labour government did plan to build Har Homa. But international pressure forced it to back away from the project.

But then Mr Netanyahu won the elections. Since coming to power last May, he has made a distinction between his commitment to the letter of the peace accords signed by his predecessors, and the spirit of those agreements. He has said his government is committed only to what has been written and signed. And in his opinion, the clause postponing discussion of Jerusalem does not preclude continuing building in east Jerusalem. "We will continue building in Jerusalem as an integral part of our unquestionable right as [the] sovereign in Jerusalem," he said yesterday.

Before the peace process, Israel tried to justify its unbridled expansion in east Jerusalem by explaining that it was embroiled in a national struggle with a Palestinian movement whose leadership refused to recognise Israel's right to exist.

It can not do so now "when the national struggle is being worked out on the negotiating table," said Mr Daniel Seidemann, legal adviser for Ir Shalem, an Israeli movement opposed to expansion in east Jerusalem.

"International and Israeli public opinion, the Palestinians and the Jordanians are not willing to play by the old rules of the game," he said.

But if the prime minister revives Har Homa today, Palestinians say they too will revert to tactics of old. "We are preparing for a confrontation," said Mr Andoni. "For us, Har Homa is the end of the peace process."

Uganda can expect debt relief next year

By Robert Chote, Economics Editor

Uganda should be granted debt relief of between $252m and $356m in April next year in order to reduce its external borrowings to a sustainable level, according to an unpublished proposals by the World Bank and International Monetary Fund.

The proposal forms part of a controversial debt initiative from which Uganda would be the first of between eight and 20 nations to benefit. It involves creditor governments increasing the debt relief they normally offer poor countries, with international institutions providing whatever further help is needed to reduce their total debt burdens to sustainable levels.

The date at which Uganda might get its debt relief remains contentious, however. The managements of both the Bank and Fund favour April next year, but they have told their executive boards that September/October this year and April 1999 could also be considered. The UK and leading aid agencies favour an early "completion point", but some other industrial countries want Uganda to establish a longer track record of sound policies.

The Bank and Fund argue that an April 1998 completion point "would still provide Uganda with a demonstrable adjustment record of nearly 11 years, allow an additional year of monitoring performance of social and structural performance...., and would also demonstrate the commitment of the [World Bank] and the Fund to deliver quickly on the initiative in deserving cases".

The institutions also calculate that the amount of debt relief necessary would rise by between $13m and $20m if the completion point were delayed to April 1999. This is because Uganda's debts are rising more quickly than its exports, moving the country further from a sustainable debt position. But the cost would be the same in September or October this year as in April 1998.

The proposals assume that Uganda should be able to sustain a debt-to-export ratio of 200-220 per cent, compared to the 254 per cent expected in 1996-97. This is at the bottom of the 200-250 per cent range pencilled in as a sensible target for all participants in the initiative, because Uganda's debt position is highly vulnerable to changes in the price of coffee.

Coffee provides two-thirds of Uganda's export earnings and a plausible 20 per cent fall in coffee prices to pre-boom levels could add up to 40 percentage points to its debt-to-export ratio. Uganda's likely debt position is also vulnerable to changes in imports and private financial transfers.

"Given the country's above-average vulnerability, the specific debt target that is finally agreed needs to be low enough so as to convincingly reduce the risk that Uganda is faced with an unsustainable debt position and that ensures that the initiative provides an exit strategy," the proposal argues.

With a debt target of 200-220 per cent and a completion date in April 1998, multilateral institutions would need to provide Uganda with assistance worth between $190m and $311m while bilateral creditors would have to pay between $62m and $75m. In net present value terms, and after the use of existing relief arrangements, Uganda had total external debts of $1.64bn last June. This included $739m owed to the World Bank's soft-loan arm, $332m to the IMF, $201m to the Paris Club of creditor governments and $23m to commercial lenders.

The proposed relief package for Uganda will be discussed by World Bank board members next week. The Bank and Fund also hope to consider debt analyses for a handful of other countries before their spring meeting in April, to avoid a precedent for early assistance by considering Uganda alone.

The proposals indicate that giving Uganda extra debt relief would release funds for a government anti-poverty programme, "in particular for increased public spending and policy reforms in the social sectors". Performance indicators will be set for health and education provision. The package is based on the assumption that the Ugandan economy will grow by 7 per cent a year over the next few years, with inflation stable at 5 per cent.

Lebanon's economic growth slows

Economic growth in Lebanon slowed last year after three years of sustained expansion, the Bank of Lebanon said in its latest economic bulletin yesterday, Reuter reports from Beirut.

The central bank said its coincident indicator of economic activity stood at 168.3 at the end of December, just a fraction above its 1995 level of 166.9 which was 17.1 per cent higher than its 1994 level.

The coincident indicator combines 12 economic series including imports, exports, electricity output and airport and port activity but the Bank has not revealed the weighting of the different series and some economists question its value.

The bank said foreign debt rose $464.3m in 1996 to $1.7bn at end-December.

The country's balance of trade deficit widened by 1.5 per cent to $6.5bn from $6.4bn a year earlier.

The balance of payments surplus more than trebled in 1996 to $786m from $256m at the end of 1995. A large part of the inflows came from eurobond issues placed on the international markets by Lebanese banks in 1996.

NEWS: THE AMERICAS

US consumer confidence soars

By Gerard Baker in Washington

US consumers are more confident about their current economic conditions than at any tims in the last 27 years, according to a report published yesterday.

The Conference Board, an independent research group, said its February index of consumer confidence about present economic conditions rose for the fifth consecutive month, further evidence that Americans have cast aside their gloom of just a year ago and become increasingly buoyant about their own financial condition and the state of their economy.

The board's overall consumer confidence index dropped slightly in Fsbruary from the previous month as expectations of business activity in the next six months declined slightly. But the figures were still close to their highest level in the current business cycle.

The overall confidence index slipped to 118.3 in February from 118.7 last month (1985=100). A year ago, when Americans were expressing profound economic insecurity, especially about their employment prospects, it was 98.0. The index of present conditions stood at 143.4 this month, against 110.8 a year ago.

Strong employment growth, a surging stock market and low inflation are the principal factors behind the rapid spread of economic contentment.

"Consumer confidence held steady in February largely because consumers continue to view current business activity as strong," said Ms Lynn Franco, an associate director of the Conference Board. "Despite the slight dip in expectations, latest consumer readings signal positive economic growth ahead."

Consumers have become markedly more confident about job prospects in the last few months. More than 32 per cent of respondents to the survey now believe jobs are plentiful.

The figures are a further indication of the growing buoyancy of consumer demand in early 1997, and may be interpreted as a warning signal by the Federal Reserve about the emergence of inflationary pressures.

So far the robust economic growth of the last few years has not produced an acceleration of inflation. But the growth in consumer confidence may change that if it is translated into higher spending.

Financial markets' attention will be focused on the Fed chairman, Mr Alan Greenspan, today when he gives his semi-annual report to the Senate on the state of the economy. His remarks will be watched closely for any indication that the central bank believes inflationary pressures are rising.

Editorial comment, Page 13

A security agent at the Empire State building in New York checks a visitor with a metal detector. Security was increased after a man shot seven people there on Sunday. Reuter

SEC dumps data as website overflows

By Lisa Bransten in New York

The Securities and Exchange Commission has had to dump a year's worth of corporate data from its site on the Internet's World Wide Web.

The commission last week dropped all 1994 corporate filings, the earliest ones available, and missed some new data because ths huge number of new companies listing with the regulators caused the system to begin overflowing. Missed filings from last week have now been restored and the SEC hopes to have the 1994 data back in three to four weeks, said Mr Dave Copenhafer, who heads the SEC's electronic filing project.

While the problem is not permanent, it indicates the importance the service has taken on for individual investors.

Edgar – the Electronic Data Gathering Analysis & Retrieval system – has done much to narrow the information gap between individual and institutional investors.

Before Edgar's introduction on the Internet at the end of 1995, easy access to corporate filings was available only to investors paying high fees for private services. Otherwise access to documents such as quarterly earnings statements and prospectuses for new offerings was only available at SEC headquarters in Washington or, as much as three weeks later, through libraries and other institutions.

"It really helps to level the playing field," said Mr Randy Befumo, editor of news and research at the Motley Fool, one of the most popular investment sites in cyberspace. "It is very convenient to aee something happening to a company and then jump up to the Web and see financial [statements] or any other filings and say 'I can make sense of this'."

About 250,000 people search the Edgar database every day, according to the SEC. Technical staff at the SEC said that they have received some electronic mail messages and telephone calls from frustrated searchers, but that by and large the public has been patient.

Guatemala to get privatisation under way

Financial necessity as much as ideological conviction is the spur, **Johanna Tuckman** reports

After a year of dropping hints, the Guatemalan government has finally decided to put its privatisation show on the road.

"Guatemala cannot remain outside the economic revolutions that are circling the world," said the newly appointed state modernisation commissioner, Mr Gustavo Saravia, this month, as he sketched out the government's 1997 plan.

While government enthusiasm for privatisation fits with its business orientation, the new urgeney has as much to do with financial necessity as with ideological conviction. Last year growth fell to 3 per cent from 4.9 the year before and many small businesses closed their doors, unable to keep up with their debt obligations.

"Privatisation is the axle of economic policy not just in order to encourage competition in telecommunications and electricity and resurrect tbe railways, but also because the funds are needed to support monetary and fiscal policy, says Mr Fernando Morales, an economic analyst. "Unless the government finds a way to bring interest rates down we will be in serious problems by the end of the year."

The sale of 95 per cent of tbe telecommunieations company, Guatel, in mid-July is the top priority. Guatel is by far the most attractive asset in the public sector, although ageing technology and last year's telecommunications law that opened up the market has reduced its value.

Competition from privatisation programmes from Turkey to Brazil is also building up the pressure to get Guatel on the market as soon as possible.

The pace of plans for the electricity sector is more measured, the money-spinning potential less and the sector more complex.

The first stage of the strategy is the scheduled auction in June of two secondary thermoelectric plants belonging to the Guatemalan Electricity Company, EEGSA. This company dominates distribution in the country's most industrialised zone, and stripping it of its 150MW generative capacity will bring it in line with the unbundling envisaged by another of last year's privatisation-oriented laws.

The next step is to put EEGSA up for sale. "We are studying the possibility of splitting the company in two and opening np the bidding in September," says a Ministry of Energy official, Mr Ricardo Moller.

Preparation for the privatisation of distribution around the rest of the country is a more subtle affair. Outside the area serviced by EEGSA only 30 per cent of the population has access to electricity, so rural electrification is essential to make the sector attractive to private investors.

The government's tactic here is to piggyback on thecommitments made in the peace treaty it signed with leftwingrebels on December 29. Soms $700m in international funds have been promised over the next six years to aupport ruralelectrification projects as part of the peace programme developedfrom the accords.

Offering a concession to operate Guatemala's 900km rail network in May is the simplest element in the privatisation program. Trains stopped running long ago on the derelict track that links the Atlantic to the Pscific and Mexico to El Salvador. Foreign investment is the only possibility for exploiting this dormant potential.

Mr Saravia's target list also includes concessions for the ports and airports, transferring the management of the postal service and the tourist board to private hands, restructuring tbe state-owned development bank and selling off other minor state interests. The details of how all this will be done have not yet been disclosed.

The new privatisation drive bas been greeted with notably little controversy. State ownership is hardly s rallying cry in a country where large sections of the population havs only very limited access to bizarrely inefficient public services. Even the announcement of a sudden rise in telepbone prices in preparation for privatisation has so far sparked only muted protest.

There is more fear of opposition from organised labour, so the privatisation strategy for Guatel includes giving telecommunications workers 5 per cent of the shares. A law restricting the right of public sector workers to strike was passed last May.

Nevertheless, the fact that the legal reforms are necessary before privatisation can move ahead gives opponents the chance to force a delay. This could directly affect the sale of Guatel, which requires the modification of the contracts and sales law.

"The fact that the state has been an abysmal administrator is no reason to hand over the people's property to big business. If the reforms to the contracts law go through we will take action in the Constitutional Court," says Mr Carlos Barrios, a deputy from the left-leaning minority party, the New Gnatemala Democratic Front.

CONTRACTS & TENDERS

AMERICAN NEWS DIGEST

$16bn for fight against drugs

President Bill Clinton outlined a $16bn anti-drug strategy yesterday, claimed by the White House to be the largest ever. "We have to become angry whenever any child – one single child – becomes prey for drug and violence," Mr Clinton said at a ceremony formally unveiling the drug-fighting budget. The figure is an $800m increase over tbe fiscal 1997 drug budget.

The president did not directly address the pressing question of Mexico's re-certification for anti-drug aid, whieb must be decided by March 1. "We are committed to co-operating with our friends in Latin America," he said. "We want to co-operate with them, but we want them to co-operate with us as well."

Mexico was embarrassed earlier this month by the arrest of its top anti-drug official on charges he had links to drug traffickers. Mrs Madeleine Albright, secretary of state, said at the weekend that the administration could fail to certify Mexico as a co-operating ally but then grant a waiver to permit continued aid on grounds of US national security interests. *AP, Washington*

www.payback

A company that promised huge profits in a scheme promoted over the World Wide Web has agreed to provide full refunds, the US Federal Trade Commission said. Fortuna Alliance, based in Bellingham, Washington, welcomed the agreement and announced plans to resume operations.

The FTC said Fortuna Alliance had enticed investors with promises that once they paid a membership fee of $250-$1,750, they would receive profits of $5,000 or more a month as others joined. When Fortuna received the money, it was wired to offshore trust accounts in Antigua in the West Indies, the US Justice Department said.

The Fortuna-FTC agreement says every Investor who requests a refund will receive one. The agreement is not an admission of guilt. However, the defendants agreed to have their business monitored by the FTC and not to engage in pyramid schemes.

Refunds could total as much as $5m. *AP, Seattle*

Dominicans halt expulsions

The Dominican government bas halted the mass expulsion of Haitians, after protests from Haiti and human rights organisations about the manner in which about 16,000 have been sent back across the border since January. The countries share the island of Hispaniola.

The expulsions, which are said to include not only Haitians who entered the Dominican Republic illegally but also Dominicans born of Haitian parents and some Dominicans with no Haitian connections, led to a deterioration in relations between the two countries.

In expelling Haitians, the Dominican authorities treated them as though they were "animals", said Mr Fritz Longchamp, Haiti's foreign minister. Haitian legislators had demanded an investigation into the deportations and a re-evaluation of diplomatic relations with the Dominican Republic. *Canute James, Kingston*

US aid threat to Managua

The US could suspend financial aid to Nicaragua if the Central American country failed to make progress on returning confiscated properties to their US owners, a US embassy official said on yesterday.

Unless Nicaragua made "sustained and continuous progress" to settle the claims of US citizens, "the United States will be forced to cut off bilateral assistence and vote against loans to Nicaragua by international financial institutions," a spokesman said.

Some 1,000 US citizens have outstanding claims for property seized by the leftist Sandinistas during their 1979-1990 revolutionary government, according to the embassy. *Reuter, Managua*

Companies urge legislation to force businesses to tackle millennium threat to computers

Law is demanded against systems 'bomb'

By David Wighton, Political Correspondent

Leading companies are pressing for legislation to force businesses to address the threat to computer systems posed by tha change of date in 2000. Those backing the move include British Steel, Bass, Schroders and SmithKline Beecham, amid fears that they will suffer if their suppliers and customers encounter problems.

The government has resisted calls to support in the House of Commons a bill requiring companies to assess and publisb details of tbeir readiness for 2000. The threat to companies of a "millennium bomb" stems from the fact that most old computers record the date as the two last numbers of a year and will not be able to distinguish between 2000 and 1900.

Most large companies believe they will be able to modify their systems in time but are aware of the danger posed by links to other companies' computers. The banking system could ancounter particular difficulties, according to Sir Bruce Pattullo, governor of Bank of Scotland.

Mr Win Bischoff, chairman of Schroders, tbe investment bank, said: "Whilst we can address our own year 2000 systems issues, if companies to whom we link electronically do not take the same action, our operation will be impacted."

Sir Ian Prosser, chairman of Bass, the brewing and leisure group, said the problem would affect "all of our customers and suppliers and consequently it is in our interests to know that all companies will be obliged to address the problem by law."

Almost half the top 100 companies have offered support to Mr David Atkinson, the Conservative MP who aims to pilot a millennium computer compliance bill through parliament. Bank of Scotland has given its backing in spite of its opposition to regulation. Sir Bruce said Mr Atkinson's bill was an exception "due to the credit implications, via borrowing customers, to the UK banking industry".

Mr Bischoff is backing the move partly because the City of London will need to know what preparations companies have been making for 2000 to assess the value of their shares. "Companies who are extremely dependent upon technology to perform their business operations who do not address millennium problems in their computer systems will severely impair their ability to continue in business post 2000."

Thus far the bill has managed to win all-party backing but still needs to gain the support of the government in order to become law. The Department of Trade and Industry said yesterday: "We haven't been convinced up until now that legislation is the way to produce useful results." Mr Atkinson describes the government's attitude as "unbelievably complacent". He still hopes the government will enable the bill to become law soon.

Editorial Comment, Page 13

Conservatives intend to sell Underground

Deal would include pledge to use profit for investment shortfall

By Charles Batchelor and George Parker

London Underground is to be privatised after more than 60 years under public sector control with a "unique" commitment by the government to plough back tbe bulk of the money raised to clear a £1.2bn ($1.9bn) investment shortfall.

Sir George Young, chief transport minister, said yesterday that three options were being reviewed: an outright sale of tbe entire system; the sale or franchising of individual lines or groups of lines; and the break-up of track and train operations in the manner already adopted for tbe national oetwork.

Mr Richard Branson's Virgin Group, which bas tbree rail franchises in the oational oetwork, said it would "have a good look at" tbe Londoo Underground. Railtrack, owner of the national network's track, said it would see how the Underground might fit in witb its own plans.

But the announcement prompted a scathing attack from Mr Tony Blair, the opposition Labour leader, who claimed that the Underground, which has net assets of £6.83bn, was being sold at a fraction of its real value. Labour believes privatisation remains a potential vote loser for the governing Conservative party in the coming general election and will campaign hard against the sale in marginal seats in London.

Sir George said: "Passengers have nothing to fear and a lot to gain." The government was making 10 commitments, including clearing the investment underspend in five years and controlling fares.

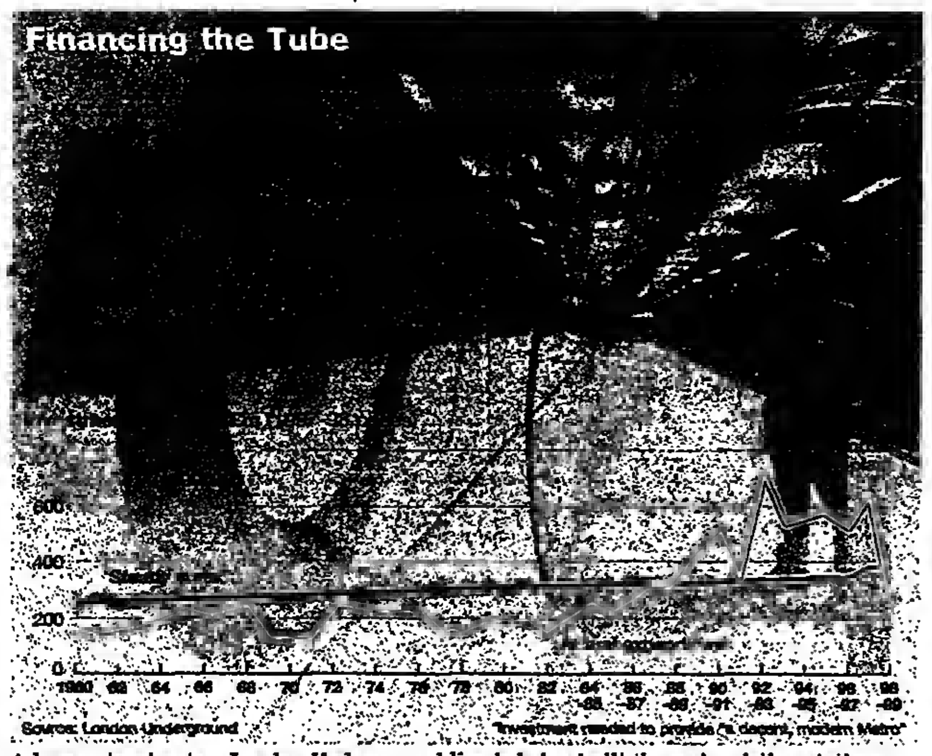
Sir George estimated last month that the Underground might be sold for up to £2bn, although he conceded the sale might yield less than the £1.2bn needed to bring the network up to scratch. He would tben expect tbe Treasury to underwrite the sale. He said most of the cash raised beyond £1.2bn would be reinvested in the Underground and other transport projects while the rest would go to the Treasury.

A paper giving more details of the proposals will be published, if the Conservatives are still in power, in the summer. Privatisation is expected to be completed in 2000-2001. Mr Peter Ford, Underground chairman, last week announced details of the cuts in its investment programme following a £700m cut in its funds in last November's Budget.

He said yesterday that privatisation was one way of meeting the Underground's need for long-term financial planning. Aslef, the trade union for train drivers, said the government was "dumping" the Underground on the private sector. But the Confederation of British Industry, the main employers lobby, said it welcomed any initiative which would secure high levels of investment.

London has the oldest Underground system in the world, although Paris and New York follow sooo after. The first 6km section of line was opeoed in 1863 by the Metropolitan Railway Company and the network grew haphazardly until a single public authority was created in 1933.

Lex, Page 20



A long extension to a London Underground line is being built through existing stations

Bus group wins Scots rail network

Responsibility for the Scottish rail network was handed over to tha National Express long-distance bus group yesterday under a seven year franchise. The deal marks the completion of privatisation of the 25 British Rail train operating companies, Charles Batchelor writes.

National Express, which has already won four rail franchises, plans to introduce 47 new three-car trains by May 2000 to allow more frequent services. High levels of subsidy will continue to be necessary for the many rural routes, although total state funding will fall from £280m ($453m) in 1997-98 to £202m in the final year of the franchise.

Central bank chief gives Emu warning

By Wolfgang Münchau, Economics Correspondent

Mr Eddie George, governor of the Bank of England, the UK central bank, yesterday warned that financial markets were sceptical about price stability in a future European monetary union.

The governor's comments are bound to add fuel to speculation about Emu as Germany and France struggle to meet the Maastricht criteria to qualify for the single currency. His comments underline concern – most frequently expressed in Germany – that failure to implement the criterta strictly could result in a weak euro and higher inflation.

Mr George said at a financial conference in London that "the steep rise in implied future [bond] yields fiva years ahead suggests that inflation is expected to be higher in the medium term. That could be associated with expectations of softer macroeconomic discipline, perhaps more specifically reflecting market uncertainty about Emn in the ligbt of the ongotng debate abont prospective membership."

He also said tha debate about how free the European Central Bank will be to maintain price stability could also be affecting expectations.

The governor's comments were intended primarily as an explanation for the unusually steep bond yield curves in Germany and France compared with tha US and the UK. The curves are steep because short-term interest rates are low and long-term high.

His outspoken analysis is certain to feed back into the currency and bond markets' scepticism about Emn. There has been much speculation recently over the start date of Emn and over which countries will qualify for the scheduled start in 1999.

While European central bankers and politicians are generally reluctant to comment on Italy and Spain's chances of qualifying for the single currency, Mr George was more forthright.

He said the yield curves of Italian and Spanish interest rates suggest that "notwithstanding the recent falls in short-term interest rates in those countries – which can largaly be explained by their improved economic performance – five-year forward yields remain significantly higher than those in Germany and France, snggesting that early Emn membership is not at all certain in the eyes of the markets".

The governor acknowledged that the markets could theoretically suffer from "some kind of market imperfection".

UK NEWS DIGEST

Expansion for exhibition site

The National Exhibition Centre, the UK's biggest exhibition site, won financial backing yesterday for a £60m ($97m) expansion plan to compete with European rivals. The NEC is the ninth biggest exhibition venue in Europe after Hanover, Frankfurt and Paris, wben ranked by capacity. But it claims to be the busiest venue in Europe when ranked by the number of exhibitions, which totalled 160 last year. The NEC, based on the outskirts of Birmingham, England's second largest city, says the expansion plans – which will add four new halls – will allow the UK to host the biggest European trade fairs for the first time.

Over the next 18 months, the NEC aims to increase its floorspace by 20 per cent, adding 30,000 sq m to its current capacity of 158,000 sq m. But the exhibition centre wants to grow further – to 200,000 sq m – by 2003, to attract such shows as Itma, the textile machinery trade show currently held in Germany. *Richard Wolffe, Birmingham*

■ BARINGS IN SINGAPORE

Director suspended until year end

The Securities and Futures Authority, the financial markets regulator, has suspended Mr James Bax from acting as director of a securities business because of his rola in the collapse of tha Barings merchant bank in 1995. Mr Bax was head of Baring Securities in Asia and a director of Baring (Futures) Singapore, the operation in which Mr Nick Leeson ran up £830m of trading losses which sank the parent bank. The SFA said Mr Bax had admitted that he failed to take action to remedy control weaknesses in the Barings Singapore organisation and did not act quickly or firmly enough to investigate Mr Leeson's false accounting entries.

Mr Bax's suspension will run from the start of the SFA's proceedings against him in March 1996 and will expire at the end of 1997. The SFA has now completed disciplinary action against seven of the nine former Barings officials it found had failed to show "due skill, care and diligence" in overseeing Mr Leeson. *George Graham*

■ BEEF EXPORT BAN

EU urged to exempt N Ireland

The UK government yesterday appealed to the European Union to exempt Northern Ireland beef from the export ban. Mr Douglas Hogg, the agriculture minister, unveiled proposals for an certified herds scheme under which he said "Northern Ireland has a very strong claim for early and immediate relief [from the ban]". Mr Hogg wrote yesterday to Mr Franz Fischler, the European farm commissioner, saying the UK had fulfilled all the pre-conditions imposed at the Florence summit last June for lifting the worldwide beef ban.

The certified herds scheme is designed to open the way for British beef to return to world markets. It will apply UK-wide and cover the meat of animals aged less than 30 months from berds where there has been no bovine spongiform encephalopathy for at least six years. Animals would be slaughtered separately and the meat identified and closely supervised throughout processing. Mr Hogg said many herds would qualify in Northern Ireland, but fewer in the rest of the UK.

An EU official said abandonment of the ban for Northern Ireland alone would be "the most saleable idea" to other member states. The province has a long-standing computer database allowing it to track cattla easily, and only 3 per cent of berds have had BSE. *Alison Maitland*

■ CAR COMPONENTS

Mitsubishi to boost buying

Mitsubishi, the Japanese industrial and vehicles group, is seeking to increase the £75m ($121m) worth of motor components it buys from UK suppliers each year. A team of its engineers and buyers plans to meet more than 100 suppliers in London next month to discuss possible sourcing of more than 220 components and machinery items. Mitsubishi currently imports £2bn worth of components to Japan annually, but has set the target of doubling this amount during the current year. Diesel engine components, alternators and generators are among the parts Mitsubishi is seeking to source. *John Griffiths*

■ FOOD PACKAGING

Ban urged on health claims

The government is today urged to consider banning health claims about food products such as "nature's way to reduce cholesterol" or "essential for healthy living". The National Consumer Council says the proliferation of health messages on food labelling is confusing and may be obscuring official advice about a healthy, balanced diet.

"Confusion will reign if consumers believe that information on food packaging has been sanctioned when it has not," the independent watchdog says. "There is a fine line between confusing consumers and misleading them." Health claims bave fallen into "an unregulated gap" between nutritional and medicinal claims, which are either regulated or prohibited. "If health claims are to be allowed, they need to be regulated at European and UK level." *Alison Maitland*

■ LLOYD'S

US law delays profits for 1994

Lloyd's of London said yesterday that some US dollar-denominated profits for the 1994 accounting year, and subsequent years, may not be released for up to 12 months because of US solvency requirements. The insurance market was unable to say to what extent insurance syndicetes could be affected. It added that personal accounts would show members' results before any restriction resulting from the US dollar solvency test. These requirements have also been in part responsible for delayed cash payments to investors in surplus after completion of the Lloyd's recovery plan last September. *Christopher Adams*

Labour party monetary blueprint is disclosed

By Robert Peston, Political Editor

The opposition Labour party will today announce plans for a wholesale reorganisation of the institutions involved in setting monetary policy while retaining tbe Conservative government's inflation target of 2.5 per cent or less.

Among the more radical ideas being considered hy Mr Gordon Brown, Labour's shadow chancellor of the exchequer, is the appointment of a second deputy governor of the Bank of England – the UK central bank – with special responsibility for monetary affairs. The other deputy would concentrate on banking supervision.

Mr Brown has already decided on the abolition of the panel of independent forecasters to Treasury ministers – the so-called Wise Men – and their replacement with a new "council of economic advisers", whose members would be on full-time secondment to the Treasury.

In the last of a series of speeches mapping the economic approach of a Labour government, Mr Brown will say that the current system for setting interest rates, based on the monthly meeting between the chancellor and the governor of the Bank of England, is too personalised.

"This personalisation makes the decision-making process unstable," he will say. "This risk has become a reality now that the argument between the governor and tbe chancellor is conducted through speecbes and interviews."

In lengthy negotiations, the Bank has been persuaded by Mr Brown to set op a new monetary policy committee, avoiding the requirement for legislation. The committee – which would decide the Bank's position oo whether interest rates need to change – would be cbaired by the governor.

Other members would be the deputy governor, the Bank's two directors involved in monetary policy and three or four new members appointed from outside current staff. These would join the Bank on fixed term contracts of at least three years. "Both the governor and I are committed to ensuring that these appointments are made on the basis of reputation and expertise to ensure the Bank's standing is eohanced hy their presence," he will say.

The Trades Union Congress will today pledge itself to minimising industrial disputes as part of a programme to rednce its ability to embarrass a future Labour government. In an unprecedented pre-election initiative, the TUC's general council is expected to endorse a *de facto* manifesto of what it would want from a Labour government and its intention to create a "partnership" with industry.

Mr John Monks, the TUC general secretary, denied he was setting ont a "shopping list" of demands. "Our influence will be in a direct relationship to the contribntion we can make," be said. "The background is that two ont of the last three Labour governments ended after disputes with unions."

US agency aims for slice of job creation pie

The expansion of a pilot project pushes employment policy a step closer to the 'workfare' model

A private US welfare agency, America Works, is to bid to run Parent Plus, tbe UK government's pilot project to belp lone parents back into work.

The company, which has placed 12,000 former welfare recipients in work in New York and Indianapolis, is also poised to bid to run Contract for Work, a year-long experiment, due to start in Britain in June, aimed at getting the long-term unemployed hack to work.

Under both projects, the private sector will be paid largely for the results it achieves in placing people into work, rather than for the service it provides.

Participation for lone mothers in Parent Plus is voluntary. But it is expected to be compulsory for the long-term unemployed in Contract for Work, in which the private sector will provide work placements and mentoring for the jobless. This scheme would be a further step towards "workfare" in the UK's social security system, which was extended yesterday with the opening of 15 more pilots under the Project Work scheme.

It is this initiative which the governing Conservative party plans to promise to extend nationwide in its manifesto for the coming general election. This will happen only if the scheme, not yet independently evaluated, proves cost-effective.

The compulsory six-month Project Work scheme involves 13 weeks of intensive job search followed by 13 weeks of mandatory work experience. Since they were launched last April, 6,800 people have started in the two original pilot projects. Some 700 people are known to have found work during the first 13 weeks; a further 200 found a job as a result of the work experience. This means a success rate in terms of jobs found of less than 15 per cent.

The scbeme has been extended after evidence that many people stopped claiming benefit as a result of the experiment.

But, in the pilots, 850 of the 2,150 so far required to report for the second-stage work experience failed to do so on the first day.

Of those, 350 have ceased to claim benefit, according to the government's Department for Education and Employment.

In total, 3,150 people, almost half, have left the unemployment register. Of those, 900 are known to have found work. But the department says it is unclear how many of the remainder have done so because they have found work, switched to other benefits or stopped claiming because they were working in the the black economy and claiming benefit fraudulently.

An initial independent analysis of whether the scheme is cost-effective will not be available until the autumn. Mr David Blunkett, the Labour party's chief employment spokesman, is likely to await that analysis before deciding on the future of the scheme, if Labour wins the election. "If the aim is simply to get people who are defrauding the benefit system off the register then there are cheaper ways of doing it than the £100m ($162m) cost of these pilots," his office said. "If the object is to help people into work, the initial results do not sound very promising."

Bids to run Parent Plus, a £20m three-year initiative offering help to 100,000 lone parents, are due in by the end of the week. America Works has teamed up with Capita, the management services group, to create Britain Works.

In all, 19 companies were invited to bid to run the four private sector pilots which will he evaluated against 16 schemes run by the government's Employment Service and the Benefits Agency.

Nicholas Timmins

ARTS

Television/Christopher Dunkley

Child abuse in the spotlight

Last night's ITV drama-documentary, *No Child Of Mine*, following events in the life of Kerry, a 10-year-old girl who was sexually abused by her mother and step father, sold into prostitution by her real father, and raped by a social worker, was so harrowing that many viewers will have switched off. That is a pity, because they would have discovered that however horrifying Kerry'a life may have been up to the age of 13 or 14 (her age at different stages was not entirely clear which, given the very youthful appearance of actress Brooke Kinsella, was unfortunate) matters did finally improve. She managed to gain admittance to a "safe bouse" for children, one of only four in Britain, we were told, and the end credits revealed that she is now at university. So the programme was not without hope.

Yet it was undeniably upsetting and, as with all such programmes, it will no doubt he attacked. Judging from past form, some will qnestion whether it was all true, and others will argue that, even if it was, these are not the sort of things that viewers want beamed into their sitting rooms. It should be emphasised that there was hardly a scene which could be described as sensational or even explicit. Certainly we were never in any doubt about what the poor child was being subjected to, but producer/director Peter Kosminsky took his cue from the ancient Greeks and arranged for the horror to occur offstage.

When Kerry was ordared hy her mother – presumably a psychopath – to join her in bed to provide her parent with sexual satisfaction, Kosminsky dissolved before we saw anything. When her father, losing at poker, put up his daughter as collateral for a £40 loan, we simply saw the child going obediently upstairs, led away hy the hand by another of the card players. True, we did hear her father's detailed instructions on what to do and how

Campaigning drama-documentary: Brooke Kinsella as Kerry in 'No Child of Mine', the harrowing true story of sexual degradation in a middle-class home

much to charge the drivers to whom he was selling her, hut again all we actually saw was the pathetic figure of a tiny girl making the huge climh up into a lorry cab.

The only scene which could be said to be gratuitously explicit was that of the rape by the social worker in the children's home ("Don't tell anyone because they won't believe you"). Kinsella, who is actually 12, seemed to do some pretty convincing crying at that stage, hut Kosminsky has explained that while filming, the scene upset him so much that he wanted to scrap it "She got really angry. She thought it needed crying, and there were all these adults bottling out around her. She did it three times and cried each time. It was awesome, the level of acting ability in one so little". Whether children are really so much more sophisticated today than they were three or four decades ago is hard to say, hut we surely have to accept Kosminsky's judgment here. He does have two small daughters of his own. Those few seconds aside, all the sexual degradation was left to our imaginations, proving, if more proof were needed, that in such matters less is invariably more.

The power of the piece stems firstly from the fact that it is a true story in which the only deliberate invention is the names. Then comes Kinsella's amazing performance. It seems a little incongruous to dwell on technical expertise in the midst of a true story of such horror, but it would be unjust to ignore the talent that such a young actress hrings to the service of the programme. And then there is the matter of fact way in which Kosminsky has constructed *No Child Of Mine*. You are repeatedly struck hy the ordinariness and even gentility of Kerry's surroundings: sbe does not inhabit a sink estate and attend one of those hlackboard jungle schools, hut lives in a world of privet hedges and Volvo estates. Kosminsky manages to extract a sinister quality from the banal in a way that occasionally reminds you of Hitchcock.

Yet to what end precisely? Michele Elliot, national director of Kidscape, says "We must listen when Kerry tells us her story because we owe it to children to see that no child suffers as Kerry did". Ian Sparks, chief executive of the Childreo's Society, says they hope that the programme moves people, "But more importantly that it prompts action which will improve the way in which we respond to children who are ahused at home or through prostitution, and who end up with nowhere to go". And Mary McAnally, managing director of Meridian, the ITV company which produced the programme after Yorkshire TV rejected it, says "Just as in the sixties *Cathy Come Home* threw a spotlight on the homeless dehate, and the charity Shelter grew as a result, so in the nineties *No Child Of Mine* throws a spotlight on the lack of provision of 'safe houses' for sexually abused children and the lack of an organised body to help the adult survivors of childhood sexual abuse".

The growth of Shelter following the screening of *Cathy* is probahly the most renowned cause-and-effect phenomenon in the history of British television. But unhappily it seems to have bad much in common with the celebrated way in which the BBC dramatisetion of *The Forsyte Saga*, one year later in 1967, sold record numhers of Penguin books. Look at those books today and you find in about 90 per cent of cases that the first couple of chapters of the first volume have been read and the rest of the pages have not even been turned. Television may be able to sell books hut it cannot make people read them. Similarly it may lead to the mushroom growth of Shelter, hut if you ask experts today how homelessness in 1997 compares with 1966 many will tell you that it is worse.

Is this an argument against showing campaigning drama-documentaries on themes of social deprivation? Naturally not: it is, rather, an argument against believing that such programmes have some magic ability to produce instant, or even very slow, solutions. Of course it may be that bomelessness today would be worse still were it not for the influence of *Cathy* and Shelter. But even if there were no proveable material benefit stemming from such programmes we should still defend them on the grounds that knowledge is better than ignorance.

However, we are entitled to auggest to the producers that they would capture our sympathy more readily if they set their faces against unremitting bleakness and tried deliberately to accentuate the positive, as the song says. If, instead of his caption messages at the end, Kosminsky had shown even three minutes of Kerry's happier life after finding the safe house, our spirits would bave been lifted and we would have come away from his programme having seen and felt the value of such places rather than merely accepting it in an abstract, cerebral way.

Opera in New York/William Weaver

'Wozzeck' wows the Met

The audience of the Metropolitan Opera has a not undeserved reputation for being conservative, and so when the premiere of the new production of *Wozzeck* failed to sell out, no one was surprised. But then the first reviews appeared – all enthusiastic – and the tickets began to move. For the final performances, the theatre was filled; and, what is more interesting, the audience seemed genuinely enthusiastic.

There were many and good reasons for this enthusiasm. First of all, the cast. From the first scene, Falk Struckmann was impressive in the title role – not a mere oppressed brute, hut a buman being whose suffering soon achieved a doomed, yet almost heroic dimension. Mocked and exploited, he retained a dignity that was as moving as it was convincing. Part of the conviction can be ascribed simply to his singing: the voice is powerful, flexible, expressive, and his enunciation is impeccable. Opposite him, the Marie of Maria Ewing was, expectahly, on the same high level. Vocally perhaps Ewing was not flawless, hut her possession of the role was beyond dispute, and equally affecting.

If these two singers stood out, they were still accompanied by excellent interpreters in smaller roles, headed by the Captain of Graham Clark (an admired Mime here in New York) and the Drum Major of Mark Baker. Anthony Lacinra sang the Fool with an eerie, icy innocence.

The previous production (the first at the Met) dated from the 1960s; it was effective in its day and, one might have thought, perhaps not necessary to replace. But now the stark, apposite sets of Robert Israel (also responsible for the costumes) have mada one taka a new look at the work, seeing it from a different, thought-provoking angle. Looming architectural elements paralleled the oppression of the characters; greys and tans were slasbed by violent reds.

Mark Lamos, the producer, moved the singers deftly in the sometimes skewed spaces, where only the occasional piece of furniture – a chair, a hed – provided cogent visual punctuation. This was not exactly an abstract reading, but rather a stripped-down, concentrated vision of it. In the final scene, the children played, it seemed, a game of their own invention in an eerie twilight, devised by the ingenious, sensitive lighting designer James F. Ingalls.

But above all, the orchestra must be unconditionally praised. At its best the Met orchestra rivals any in the world, and for this *Wozzeck* – ohviously fired up hy the same enthusiasm that guided the conductor, James Levine – it surpassed itself. Without tempering any of the angularities of the score, Levine and his players reminded us of its enormous variety. The shifts in sonority were thrilling: the sudden pianissimos following an aggressive forte, the almost intolerable crescendos in the interlude before the tavern scene, and the tavern sceoe itself, with its intricate stylistic mixture. The Met is often good; much less often is it exciting. And the triumph of this *Wozzeck* – which must be revived as soon as possible – should encourage further adventure.

Heroic: Falk Struckmann in the title rola

Winnie Klotz

London concerts/Andrew Clark

Distinguished visitors

All orchestras visiting London like to think of themselves as "special" – the word Christoph Eschenbach uses to describe the Houston Symphony, which be brought to the Barbican for its UK debut on Saturday. But London hears so many foreign orchestras – four in the past week alone – that "special" can only apply to the very few.

Listening to the Houston Symphony at the start, it was easy to be dismissive: the only discernible quality in the introduction to Beethoven's *Emperor* Concerto was its soft-focus anonymity. By the end of the evening, after a penetrating account of Bruckner's Fourth Symphony, that assessment had to be revised. What is special about this orchestra is not its mid-Atlantic sound, but its relationship with Eschenbach. In his nine years as music director, he has turned it into a hard-working, well-disciplined ensemhle. In the process be himself has come of age as a conductor.

The Houston Symphony hails from one of the newest of New World cities, hut is one of the oldest US orchestras, with Stokowski, Barhirolli and Previn among its past chief condnctors. It could have been more adventurous in its choice of programme: hiding behind a soloist in one of the most over-played concertos is not the obvious way to assert one's identity. But if the *Emperor* it has to be, you could not find a more illuminating interpreter than Mitsuko Uchida, who brought fabulous stillness to the music's inner voices without selling short its "public" inspiration.

The strengths of the conductor-orchestra partnership were revealed after the interval in a Bruckner performance distinguished by tonal solidity and balance of architecture and atmosphere. Eschenhach's forward-moving tempos underlined the evolutionary quality of Bruckner's stop-start structures, while the chorale-like climaxes had a patiently-built, organic glow. The orchestra's individual sections came into their own in a slow movement of understated eloquence, its funereal atmosphere wiped away by Eschenbach's racy treatment of the Scherzo. There were plenty of scenic delights, but nothing to match the masterful way in which Eschenbach laid out the groundwork for the affirmative coda.

Eschenbach understands Bruckner's language. The performance spoke with an unmistakable sense of intellectual command. Bnt the Houston Symphony does not qualify as one of the "Great Orchestras of the World", the Barbican series in which its concert was marketed: its brass principals are simply not up to the demands Bruckner puts on them. Section by section, it cannot compare with the Russian National Orchestra, which re-asserted its silver-edged quality at the Festival Hall the previous evening. And yet the American orchestra's concert remained the more satisfying of the two.

Perhaps it had something to do with the cold conducting manner of Mikhail Pletnev, the RNO's founder; perhaps Tchaikovsky's *Manfred* Symphony (mercifully uncut) is so familiar to the orchestra that it has become complacent. It was certainly a mistake to open with unidiomatic Beethoven (*Leonore* overture No 3), and to expect Nikolai Lugansky, a bland 24-year old prodigy, to have tha musical maturity to make sense of Rakhmaninov's Third Piano Concerto. The RNO has done well to establish itself so quickly; it now needs to develop its repertoire and stylistic versatility, preferably with a more axperienced conductor. Above all, it could take a leaf out of the Houston Symphony's book, by remembering that a performance which comes too easily is rarely revealing.

INTERNATIONAL ARTS GUIDE

■ ANTWERP

DANCE
De Vlaamse Opera Tel: 32-3-2336808
● Furioso: choreographed by Meryl Tankard to music by Pärt, Sharp and Górecki, performed by the Meryl Tankard Australian Dance Company; 8pm; Mar 1

■ BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Michael Schonwandt and viola-player Yuri Bashmet perform works by Haydn, Bartók and Beethoven; 8pm; Mar 1, 2 (4pm)

EXHIBITION
Kupferstichkabinett - Sammlung der Zeichnungen und Druckgraphik Tel: 49-30-26629598
● Giovanni Battista Tiepolo und sein Atelier: exhibition celebrating the 300th anniversary of Tiepolo's birth and featuring some 60 drawings and etchings by the Venetian master. Also on display are some 40 works from Tiepolo's workshop, mainly produced by his sons Giandomenico and Lorenzo; to Mar 2

■ COPENHAGEN

DANCE
Det Kongelige Teater - The Royal Theatre Tel: 45-33 69 69 69
● A Folk Tale: choreographed by August Bournonville to music by Gade and Hartmann, performed by the Royal Danish Ballet; 8pm; Feb 27

■ DETROIT

EXHIBITION
The Detroit Institute of Arts Tel: 1-313-833-7963
● Discovering Ellis Ruley: exhibition of 60 paintings by the African-American folk artist, reflecting the diversity of America's heritage and tha African-American axperiance; from Mar 1 to Apr 27

■ FRANKFURT

CONCERT
Jahrhunderthalle Hoechst Tel: 49-69-3601240
● Alban Berg Quartet: with pianist András Schiff and doubla bass-player Alois Posch perform works by Schubert; 8pm; Feb 28

EXHIBITION
Schirn Kunsthalle Tel: 49-69-2998820
● Sammlung Aargauer Kunsthaus Aarau: display of 184 works by Swiss artists, from the time of the Enlightenment to the present day. Artists represented include Böcklin, Füssli, Klee, and Vellotton; from Mar 1 to Jun 1

■ LONDON

CONCERT
Royal Festival Hall Tel: 44-171-9604242
● Johannes Passion: by Bach. Conducted by Sir David Willcocks, with soprano Lorna Anderson, The Bach Choir and the English Chamber Orchestra; 7.30pm; Feb 27
Wigmore Hall Tel: 44-171-9352141
● Felicity Lott and Roger Vignoles: the soprano and the pianist perform works by Schubert, Mendelssohn, Brahms, Britten and Chabrier; 7.30pm; Feb 28

EXHIBITION
Royal Academy of Arts Tel: 44-171-4397438
● Braque: The Late Works: tha first British axhibition to focus on the last 20 years of the career of Georges Braque, one of the founders of Cubism. On display are soma 50 paintings including all of the great cycles of work from his later years – the "Interiors", "Billiard Tables", "Studios" and "Birds"; to Apr 6
Whitechapel Art Gallery Tel: 44-171-5227888
● Tony Cragg: exhibition featuring new work by the British sculptor. Cragg's work often employs found materials and this show reflects recent experiments in his art; to Mar 9

JAZZ & BLUES
Queen Elizabeth Hall Tel: 44-171-9210600
● Jean Toussaint: performance by the saxophonist, accompanied by trumpet player Terence Blanchard, pianist Mulgrew Miller, bass player Reginald Veal and drummer Jeff Tain Watts; 7.45pm; Feb 28

■ LOS ANGELES

EXHIBITION
MOCA at California Plaza Tel: 1-213-626-6222
● Jorge Pardo: this Los Angeles-based artist loosens the distinctions between art and craft, design, graphics and architecture. For more than two years, Pardo has been developing a large-scala project, a sculpture that is also a house, which he is bringing to fruition. The project, an 1,800-sq-ft residence, will be open to the public; from Mar 1 to May 30

■ MUNICH

DANCE
Cuvilliés-Theater - Altes Residenztheater Tel: 49-89-296836
● Shannon Rose: choreographed by Youri Vàmos to music by Sibelius, performed by the Bayerische Staatsballet; 7.30pm; Feb 27

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Art of the Renaissance Woodworker: The Gubbio Studiolo Restored: exhibition focusing on the conservation treatment of tha studiolo from the palace of Duke Federico da Montefeltro which dates from the 15th century; to Apr 15

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Billy Bud: by Britten. Conducted by Steuart Bedford, performed by the Metropolitan Opera. Soloists include Philip Langridge, Dwayne Croft and James Morris; 8pm; Mar 1

■ PARIS

CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Ensemble Intercontemporain: with conductor David Robertson perform works by Stravinsky; 4.30pm; Mar 1

DANCE
Théâtre National de l'Opéra - Opéra Garnier Tel: 33-1 42 66 50 22
● Ballet de l'Opéra National de Paris: perform "Ancient Airs and Dances" to music by Respighi, choreographed by Tanner, "Musings" to music by Mozart, choreographed by Kudlelka and "Eja Mater" to music by Lemelin, choreographed by Grand-Maître; 7.30pm; Fab 27; Mar 1 (2.30pm & 8pm)

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Bruce Nauman: exhibition based on the audiovisual work of Nauman, ranging from "*phitigraphels*" and film-installations in the 1960s, to tha video installations in the 1970s; to Mar 3

■ VALENCIA

CONCERT
Palau de la Música i Congressos Tel: 34-6-3375020
● Orquesta da Valencia: with conductor Manuel Galduf and cellist David Geringas perform works by Lyadov, Bartók and Shostakovich; 8.15pm; Feb 28

■ VIENNA

EXHIBITION
Museum für Angewandte Kunst Tel: 43-1-71136
● Japan Today: exhibition of photographs, design and visual arts objects focusing on Japanese contemporary art, from the late 1980s to the present. Included in tha exhibition are works by 15 artists who are among the forerunners of Japanese contemporary art as well as a piece from tha architects bureau Robert Venturi, Denise Scott Brown and Associates, Inc; from Feb 26 to Jun 1

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Ian Davidson

Deafening silence

Malcolm Rifkind is right – there should be a debate on the issues facing the European Union as it expands eastwards

Last week Mr Malcolm Rifkind, the UK foreign secretary, went to Bonn to preach to the Germans about Europe.

He told a packed audience of the great and the good at the Konrad Adenauer Foundation that the people of Europe needed to debate the future of Europe, and the kind of Europe they wanted. He called on the Germans to rein in their aspirations for integration. Instead they should heed the British vision of a partnership of nation states.

This was one of a series of speeches on the same theme that Mr Rifkind is giving in the capitals of Europe. Some have criticised the undertaking on the grounds that it is cheeky for a UK minister to try to peddle his government's Eurosceptic line in the rest of Europe.

His antithesis between the legitimacy of the nation state and the relative illegitimacy of integration may be good enough for an electioneering platform; but to an audience of political sophisticates in the capital of a founder member of the European Union, it risks seeming tired, out of date and irrelevant.

At all events, Mr Rifkind did not seem to be changing many minds in Bonn last week. When he said: "I do not expect you all to agree [with me]," an undiplomatic titter ran round the hall. Afterwards, the judgments I heard ranged from indifference to polite contempt.

Yet in principle, Mr Rifkind is right; there *is* a need for a real debate about Europe, since the future of the EU must be quite different from its past.

Enlargement to eastern Europe, on which negotiations are due to start a year from now, cannot fail to bring about far-reaching changes to the Union. The new EU will be so large and diverse that it will need new systems, structures and policies. And yet nobody responsible – neither the Commission nor the member governments – is uttering a word about these transformations or what the options might be.

One reason for the conspiracy of silence is that EU member governments are obsessed with the top of their internal agenda: economic and monetary union. Since Emu will largely determine the parameters of the Union's development, governments are unlikely to focus on the uncertainties of enlargement until they have a clearer idea of the outlook for Emu.

But independent experts are already starting to look hard at the implications of EU enlargement. Their analysis shows this cannot avoid being a long and difficult process.

The most obvious cause of difficulty comes from the EU's spending policies. The Spanish do not want to lose money from the regional fund, the Irish do not want to lose out on the farm policy, and the Germans do not want to pay more to the budget. As a recent Chatham House paper* makes clear, compromises on policies and payments will be difficult to find.

But enlargement will also have political consequences far beyond the calculus of budgetary profit and loss.

Take the question of qualified majority voting in the Council of Ministers. It is commonly said that there must be more such voting in a much expanded Union of 25 states if decision-making is not to be paralysed. Yet most economic integration decisions are already taken by this method, apart from some secondary issues such as regional development, and some sensitive areas such as taxation. If unanimous voting is a problem, it obviously cannot be solved by moving to qualified majority voting on regional development; and no one is yet suggesting majority voting on taxation.

In other words, the qualified majority voting issue is really shorthand for much more fundamental and long-buried political questions about the nature of the Union: the competences of the EU, the relationship between nation states and the EU, and the relationship between big countries and small ones.

The last time the member states confronted these issues, in 1965, they underwent a six-month crisis, and the ensuing trauma lasted 20 years.

There may be more goodwill around today, but do not bet on it. As a Finnish report** points out, the founder members from Benelux would happily go for more qualified majority voting. But the new Nordic members are still ambivalent about the idea. And prospective members from eastern Europe are still enjoying the recovery of their national independence.

The report also forecasts that enlargement will create different tiers of membership, because not all members will be able or willing to subscribe to all policies. It will lead to a hard core centred on Emu, a second tier of existing members outside Emu and a third tier for the candidates.

Such a configuration must raise at least two fundamental questions. First, will the hard core hold all the real power? And second, can those in the second or third tier really be full members?

Before Europe stumbles into the future, it needs an open debate on the choices ahead. In the words of the Finnish report: "It is quite amazing that there is so little discussion about the repercussions that enlargement would have on the whole of the Union or, in fact, on the whole integration process ... In order for enlargement to be a success, there should at least have been some discussion of what kind of union will be joined by what kind of prospective members, and to do what."

Malcolm Rifkind: preaching an unpopular message

**Eastward Enlargement of the European Union, by Heather Grabbe and Kirsty Hughes, Chatham House*
***More Members for the EU? by Jaakko Iloniemi, Centre for Finnish Business Studies, Helsinki*

·LETTERS TO THE EDITOR·

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Risks to bond prices significantly overstated

From Mr John Ryding.

Sir, The Lex column argues ("Bond bonanza", February 24) that US bond yields are in "dangerous territory" given that steady growth and tight labour markets "will continue to make investors nervous about higher rates". I think that this analysis significantly overstates the risks to bond prices in 1997.

My research has suggested that the single best predictor of future inflation in the US is the price of gold, which at $350 per ounce at present is signalling a low inflation rate of around 2 per cent on the gross domestic product deflator for 1997. In February 1996, the price of gold was above $400 an ounce, and despite projections of economic slowdown and further easing from the Federal Reserve, bonds were overvalued at that point. As the economy picked up in the Spring of 1996, bond yields soared from 6 per cent to almost 7¼ per cent.

Over the last year, however, the Fed has switched its focus back to the benefits of price stability and away from fine-tuning interest rate moves. It has been rewarded by a sharp rise in the foreign exchange value of the dollar and a sharp drop in gold prices. Inflation is running at the lowest rates in more than 30 years as measured by the core consumer price index or the GDP deflator. In 15 of the past 18 years, bond yields have followed the move that gold prices made the previous year. The sharp drop in gold prices over the past year points to lower bond yields over the next year.

I agree the Fed's focus on labour-market pressures is a short-term problem for the bond market. In the near term, fears of a rate increase are likely to limit the upside of any rally in the bond market. But good inflation fundamentals are likely to limit the downside of any sell-off. If bond traders should push bond yields up towards 7 per cent while the dollar remains strong against gold, I suspect this would be a significant buying opportunity.

John Ryding,
senior economist,
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E. Europe's big challenge to be in EU

From Mr Bart W. Edes.

Sir, While the Financial Times regularly reports on the importance of governmental reform in the UK, it is odd to see that your paper fails to address the even greater need for such reform in Europe's formerly communist countries. For example, your editorial "The EU queue" (February 4) overlooked one of the greatest challenges facing these countries in their quest for European Union membership: the modernisation of the public administration.

Unless capacities to govern are improved, central and eastern European countries will find it extremely difficult to address the considerable tasks confronting them, including the combating of corruption, nurturing a positive business climate, caring for society's disadvantaged, and maintaining citizen confidence in democracy, as well as completing the huge workload originating from the legal and organisational changes required for EU accession.

Governments in central and eastern Europe have made great strides in reforming their public administrations since the fall of the Berlin Wall. Basic legal frameworks have been put into place, and ambitious training programmes are under way. Yet in many key areas, the pace of change has been slowed by political and cultural factors, or by inadequate knowledge of the tools available to enact change.

One of these areas is the development of a modern, professional and non-political civil service guided by ethics, *esprit de corps* and a sense of public interest. Another is the modernisation of budgeting systems, crucial if finance ministries are to achieve the influential role found necessary in EU member states. Further, control mechanisms, such as independent audit institutions, need strengthening, and the imbalance of powers among state institutions inherited from the old regime requires attention.

Without continued progress in these areas, sustained by domestic political will and the support provided by international donors, the road to European integration will become longer and more treacherous.

Bart W. Edes,
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75775 Paris, France

Realities in Mauritius

Mrs Karuna Ghura.

Sir, Michela Wrong's article "Mauritius looks for its place in the sun" (February 12) made an unwarranted comment. A statement like "Dr Navin Ramgoolam's government stands accused of incompetence" should have been attributed to some authority. The MMM/Labour alliance leader inherited a corrupt situation, a country communally divided. No planning was seriously undertaken by the outgoing government for post-General Agreement on Tariffs and Trade realities.

The government is acting to correct inherited structural difficulties.

Karuna Ghura,
Solferino No 1,
Vacoas, Mauritius

Package indicates no hope of French economic reform

From Mr Olivier Lebleu.

Sir, Your account of the pending FFr30bn aid package to Crédit Lyonnais ("France plans extra $5bn for bank", February 21) shows again the futility of hoping for intelligent reform efforts in the French economy. With every aid request made by Crédit Lyonnais backed by the claim that it is necessary to shore up the bank before privatising it, the assumption the French authorities have effectively made is that no amount of cosmetic surgery can be spared in making the "elephant man" of French finance look presentable again.

As pointed out by Argentina's former finance minister, Domingo Cavallo, last week at Columbia University, however, this is confusing the issue: privatisation is as much, if not more, about granting an overloaded government with fiscal space as it is about maximising revenue thanks to the proceeds generated by post-"beautification" asset sales. To use Mr. Cavallo's phrase, the obsession with not selling "grandma's jewels" on the cheap leads to greater fiscal burdens rather than to any great capital gain for the state – an unlikely prospect for the Crédit Lyonnais privatisation in any case, given the aggregated amounts spent so far.

Olivier Lebleu,
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Notes from the Old Lady

Two hundred years on, **John Plender** analyses a move off the gold standard

Two hundred years ago today, the convertibility of Bank of England notes into coin was suspended by an Order in Council. The departure from the gold standard, which was to last until 1821, was of more than academic interest.

The subsequent inflation precipitated a debate – the "bullionist" controversy – on some of the most fundamental issues of economic theory. Out of that debate came a clearer understanding of the principles of modern central banking. What was it all about?

Throughout history, inflation has, more often than not, been associated with the strains of financing warfare. This episode was no exception. The backdrop to the story is the war between Britain and revolutionary France. Since its start in 1793 the Bank of England had been under pressure.

First, the Bank felt vulnerable to the demands of a financially stretched government – hence the famous Gillray cartoon of the "Old Lady" being assaulted by Pitt. At the same time domestic confidence fluctuated wildly and "hot" money, in the shape of gold and silver, flowed into and out of the country. When reserves drained out of the domestic banking system, the Bank of England exacerbated the resulting liquidity crisis by shrinking its issue of notes.

The proximate cause of the move off gold was a run on the banks, which followed news of the arrival of a small French force at Fishguard in Wales. People were desperate to convert bank notes into coin. Faced with dwindling reserves, the City merchants who ran the Bank of England managed to convince the government of the need to suspend convertibility. In effect, the Bank's notes became legal tender. After 80 years on a gold standard, Britain was suddenly confronted with fiat money following a token French invasion which came to nothing.

By 1800, it had become clear that the Bank's notes had dropped in value against gold bullion. Prices were rising and sterling had depreciated on the exchanges. Accusations were hurled at the Bank that these developments were due to an excessive issue of notes. This bullionist critique was later

Courtesy of the Bank of England Museum

Gillray's famous cartoon reflected the Bank's vulnerability

reflected in the report of the Bullion Committee, set up by the government to investigate the issue in 1810.

The Bank of England's defence was that the expansion of the note issue simply reflected the requirements of trade. Sterling depreciation, according to the "banking school", which opposed the bullionists, resulted from a balance of payments problem. Subsidies to British allies in the war against Napoleon had to cross the foreign exchanges. Money was tight in the important financial centre of Hamburg, which acted as a magnet for capital from Britain. Grain imports were high because of bad harvests.

The debate, which foreshadowed the 20th century argument between Keynesians and monetarists, turned on causation. Was the depreciation of the exchange rate due to an independent increase in the note issue, which was how the monetarist/bullionist school saw the position? Or was sterling depreciation the cause of the expansion of the money supply and higher prices, as the banking school believed?

The Bullion Report is still regarded as a classic statement of economic principles, and the bullionists won the economic debate. But their chief policy proposal for a return to the gold standard at the pre-war parity, while England was still at war, failed to carry the House of Commons. And 200 years later, the striking feature of this period in which the Bank of England enjoyed complete discretion over the note issue was how little inflation resulted.

Yet the lesson drawn by the economist David Ricardo in his *Principles of Political Economy* was widely shared. "Experience," he said, "shows that neither a State nor a Bank ever have had the unrestricted power of issuing paper money, without abusing that power: in all States, therefore, the issue of paper money ought to be under some check and control; and none seems so proper for that purpose, as that of subjecting the issuers of paper money to the obligation of paying their notes, either in gold coin or in bullion."

But Ricardo also worried about monetary contraction leading to deflation. So, too, did some leading bankers and industrialists. In the aftermath of the defeat of Napoleon in 1815, changing trade patterns and a contracting money supply resulted in a petition from the Distressed Mechanics of Birmingham. In another pre-echo of a 20th century polemical battle, the so-called Birmingham School, led by the proto-Keynesian Thomas Attwood, feared the impact of a return to the gold standard at the old rate on activity and jobs.

In the event, the Bank of England unwittingly continued to shrink the money supply. So, by the time of the return to cash payments in 1821, most of the deflationary pain had already been incurred. It bore no comparison with the subsequent crisis on the return to the gold standard in 1925.

Before the resumption of convertibility, the Bank of England blithely argued for continuing discretion in monetary policy, while denying that it bore any responsibility for the state of the wider economy. Yet one of the main lessons that emerged from the story was precisely that a stabilising role was required of the Bank. This was articulated by Henry Thornton in *An Enquiry Into The Nature And Effects Of The Paper Credit Of Great Britain.*

Anticipating Walter Bagehot's arguments in *Lombard Street* by 70 years, Thornton emphasised the importance of having the central bank lend freely when confronted with a domestic run on its reserves in order to maintain confidence and prevent systemic problems. A moderate bullionist, he exercised considerable influence through his membership of the Bullion Committee.

Looked at from a late 20th century perspective, a number of things stand out. One is the evolutionary and at times reassuringly accidental development of central banking. After all, when Sir Isaac Newton established the gold standard in 1717 he was not fully conscious of the consequences. In writing to the economist Cantillon, he declared that silver was the true and only monetary standard.

The Bank of England clearly had no great grasp of its role in monetary policy. It also failed to see the need for a central bank which was not exclusively preoccupied with profit maximisation. Yet working politicians sitting on a parliamentary committee produced a classic statement on the conduct of monetary policy, while anticipating the great debates of the next two centuries. These were remarkable men indeed.

COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday February 26 1997

Waiting for the Fed

There will be two simple questions at the forefront of investors' minds this morning as Mr Alan Greenspan begins his twice-yearly testimony to Congress. Does the Chairman of the Federal Reserve think interest rates should rise? And does he believe the stock market should fall?

Of course, he will not give any clear answers to these questions: that is not what central bankers do. But his questioners on the Senate banking committee are perhaps entitled to a few hints. This is particularly so at a time when the financial markets seem oddly optimistic about the future.

Take interest rates. When Mr Greenspan gave his last Humphrey-Hawkins performance in July, the economy had grown very rapidly in the previous quarter. All knew that if the same pace continued, interest rates would have to rise. Mr Greenspan suggested as much in his remarks, but in the end the Federal Reserve decided to bank on the economy slowing of its own accord.

Rightly so, as it turned out. Growth slowed sharply over the summer, as did fears of imminent inflation. Yet the sharp upturn in growth in the fourth quarter – back to an annual rate of 4.7 per cent – has reopened the discussion. This time around, investors seem more confident that Mr Greenspan will again opt for continued "watchful waiting". Bond yields are more than a third of a percentage point lower than in July, while futures markets are predicting hardly any rise in short-term interest rates during the first half of this year.

Now, though, it is more difficult to believe that demand will spontaneously slow to a safe rate. Various distortions in the fourth quarter figures mean that recorded growth is likely to decline in the first three months of 1997. But with every measure of economic slack heading into negative territory, it may require a very sharp downturn in demand for Mr Greenspan to keep interest rates at their present level much longer.

Events in the stock market only underline this conclusion. The Dow Jones Industrial Average has risen 10 per cent since Mr Greenspan's warnings about investors' "irrational exuberance" in December. Understandably, perhaps, he has steered clear of the subject ever since. But he cannot relish the possibility that this exuberance will soon translate into inflationary enthusiasm on Main Street.

Ideally, Mr Greenspan ought to be giving a warning nudge to those who think interest rates cannot rise, and to those who think equity values will never fall. This could be tricky: a nudge to the markets from the Federal Reserve Chairman has a nasty habit of turning into a knock-out punch. But better an unpleasant surprise today than a far nastier shock tomorrow.

New zaibatsu

For some westerners, Japan's intended abolition of its 51-year-old ban on holding companies will reawaken memories of the *zaibatsu*, the giant conglomerates that dominated Japanese industry before the second world war. In practice, however, the proposed change to the anti-monopoly law has a less sinister significance – a desire to accelerate the new "Big Bang" process of change in the financial services sector.

The holding company structure will be a useful way of getting round another legacy of the postwar American occupation, the enforced division between banking and the securities business, which mirrors that imposed by the Glass-Steagall act in the US. In time, Japan's reforms will abolish this divide; but in the short run, holding companies will allow mid-sized banks, brokers and insurance companies to cluster together under the same roof.

The bigger issue in Japan's financial services industry, however, is not structure but scale: there is hopeless overcapacity in a system which has, until now, protected the weaker competitors from the winnowing effect of competition. The Big Bang reforms provide an indication that Japan's political and business establishment is, for the first time, ready to contemplate greater competition in the financial sector.

It remains unclear, however, whether it is yet ready to contemplate the sweeping concentration and elimination of weaker competitors that is a logical consequence of the reforms. The ceiling of Y15,000bn set on the assets of the new holding companies is an indication, perhaps, of a lingering desire to set limits to such a transformation.

In other sectors of the Japanese economy, also, culture is a more important determinant of behaviour than legislation. The risk that the change in the holding company law will lead to a recreation of the *zaibatsu* is small – not so much because of the ceiling on assets but because the *zaibatsu* long ago re-formed themselves through the web of cross-holdings and informal arrangements that tie together the big Japanese groups.

Similarly, the prospect of cutting wage costs, by turning big groups with common wage scales into holding companies with pay levels set by the performance of individual subsidiaries, is also constrained by social pressures. Employers and unions are to discuss the issue, setting a leisurely two-year timetable for the process. Japan is undoubtedly moving towards reform. But changes in the law are less important than slower, more complex shifts in social and business culture.

Year zero crash

Do countries need a law to force computers to remember the date correctly?

Mr David Atkinson, a British Conservative MP, thinks so. With the support of the chairmen of Bank of Scotland, Bass, and British Steel, he has introduced a private member's bill into the House of Commons to require companies to fix the so-called "millennium bug".

Unless they are re-programmed in the next three years, many older computers will be confused on January 1 2000 into thinking that time has gone back to 1900. Already, credit cards which expire after 2000 have been rejected, tins of food with post-millennial sell-by dates sent back to manufacturers and centenarians invited to primary school on their 105th birthday.

However, business seems remarkably complacent about the problem. Only a third of managers of large European companies are aware that it exists, according to a recent survey. Some experts claim that less than a fifth of UK companies will have dealt with it by the end of this year and only half of them by the 1999 deadline.

Computing companies have estimated the global cost of reprogramming at \$500bn; this would add 50 per cent to information technology budgets during the next three years. But others say that the problem is being exaggerated by those who want to drum up business in re-programming older systems.

Personal computers will not be affected. But systems running on mainframe computers from the 1970s may not be able to cope. They were not millennium-proofed because disk space was then too scarce to accommodate the extra two digits needed to record dates in full. Anyway, they were not expected to last until 2000.

Governments are rightly annoyed that they should be expected to solve a problem of the information technology industry's own making. But, despite the risk that some computers, confused by the date, might infect others, a legislative approach is too heavy-handed.

Companies can find their own solutions: British Telecommunications, for example, has told 1,800 suppliers they will be axed if they cannot show that their systems are millennium-proofed. In extreme cases, civil legal remedies will be open to aggrieved companies.

While Mr Atkinson's bill draws welcome attention to the problem, the regulatory burden and the cost of enforcing it would be out of proportion.

No doubt some things will go wrong, but most people will be able to enjoy New Year's Eve in 1999. By then it will be safe to leave the money in the bank.

Eve of the earthquake

The fragmented and overstaffed Italian banking sector appears to be on the verge of a full-scale restructuring, says **Paul Betts**

Mr Giuseppe Zadra, general manager of the Italian banking association, cannot help mixing his metaphors. "The volcano has erupted and the lava has started flowing," he says, in the same breath likening changes in Italy's banking industry to an earthquake. "The ground has cracked open and great jets of steam are bursting out."

Big changes are under way and the next 12 months will usher in a radical transformation of the troubled industry, Mr Zadra says. It is a view shared by many. "This is the year when restructuring and consolidation will finally happen," says a senior Italian executive of a big US investment bank.

There have been many promises, fine words and false starts in the past 10 years. Scepticism abounds over the chances of privatising, modernising and rationalising one of the least profitable, inefficient and most fragmented banking sectors in the industrialised world. Yet the past few weeks have seen an unusual flurry of both public and behind-the-scenes manoeuvring, suggesting the long-awaited shake-out has become a real possibility.

On Monday, the charitable foundation that controls Istituto Bancario San Paolo di Torino confirmed plans to privatise Italy's biggest banking group this summer. A few weeks previously, Cariplo, the Milan savings institute and the country's second-biggest bank, said it too wanted to be privatised in 1997. It was negotiating an alliance with Banco Ambrosiano Veneto, a large private bank from the rich industrial north, it said.

At the start of the year, Banca Nazionale del Lavoro (BNL) and the Ina insurance group agreed to absorb Banco di Napoli, creating a substantial – if still financially shaky – new banking group. The share price of Credito Italiano, privatised in 1993, has been soaring in recent weeks, driven by big purchases of stock by international investment funds, and movements among its principal shareholders towards a possible alliance with Credito Emiliano, a medium-sized bank. Cassa di Risparmio di Torino and Cassa di Risparmio di Verona are also understood to be discussing closer links, including a joint financial holding company to be floated on the stock market.

Neither the banks nor the government – which directly or indirectly owns about 65 per cent of the industry – has suddenly been converted to the virtues of the open market. "It is simply a question of necessity, even survival," says a leading Italian banker. "With increased European integration and growing international competition, the writing is now on the wall."

Hardly a day goes by without a warning from Mr Antonio Fazio, governor of the Bank of Italy, or other economic analysts of the banking system's dire situation. For the past two years, the industry's earnings have been dismal, with an average return on equity of about 2 per cent, against 20 per cent in the UK, nearly 15 per cent in Spain, and 6.5 per cent in the hardly buoyant French banking industry.

Years of government control and strict labour laws, compounded by poor use of technology, have made the system highly inefficient. Cost-to-income ratios of many banks are above 70 per cent, against an average in Europe of 62 per cent. Staff costs alone, according to the Bank of Italy, are 50 per cent higher than the European average.

The industry says it needs to cut 30,000 jobs, about 10 per cent of the sector's total. It also wants to introduce more flexible working and performance-related pay, and to conduct wage negotiations at company level, rather than on a nationwide basis.

"It is quite absurd to think that if you want to move an employee from one branch to another you still need union approval if the distance is more than 30km," says a Rome banker. But any significant changes to labour laws are likely to lead to confrontation with the banking unions.

The problems of the banks have been exacerbated over the past five years by bad loan ratios that have soared from below 6 per cent to above 10 per cent. After the lending boom of the 1980s, and the *Tangentopoli* ("Bribesville") scandals of the early 1990s – which saw some of Italy's biggest companies go to the wall – the banking system is estimated to have accumulated L50,000bn (£18.5bn) of bad debts between 1993 and 1995.

Italy's banking market remains one of the most fragmented in Europe, with the three largest banks holding only 20 per cent of the domestic market, compared with more than 80 per cent in the Netherlands and 50 per cent in the UK and Switzerland. Although there have been several mergers and takeovers since 1990, Italy still had 970 banks at the end of 1995, only 9 per cent fewer than at the start of the decade.

The rich-north, poor-south divide has further distorted the picture, while public ownership has sometimes led to dubious lending policies based on political patronage and economic *dirigisme*.

The country's banks also suffer from a hefty tax burden, which the Italian banking association puts at 57 per cent. In a forthcoming study on the competitiveness of the Italian banking system, the association says banks have been handicapped by Italy's extremely slow judicial process for bad debt recovery, high obligatory reserves and big security costs. (There are six times more armed bank robberies in Italy than elsewhere in Europe.)

This alarming state of affairs is forcing the pace of change. However, the restructuring is not being driven in the main by policymakers. Rather, developments are being fashioned by the individual banks themselves.

"When one bank starts changing the rules of the game, it inevitably ends up dragging the others along if they want to remain competitive," says a Milan banker. "In an environment where we urgently need to become more profitable to grow and attract new capital, we simply have to transform our old cultures and methods of doing business."

Credito Italiano, the privatised bank whose share price is doing so well, has been in the vanguard of this process. It has launched a far-reaching restructuring of its operations to improve returns, spearheaded by Mr Alessandro Profumo, the bank's chief operating officer since July 1995. His appointment represented a break with Italian banking traditions. Mr Profumo, who has replaced two-thirds of the top managers at Credito, did not come with the usual curriculum vitae, but with a strategic planning background at McKinsey, the management consultants. The bank has been moving into higher-fee businesses and has reduced staff sharply.

Banco Ambrosiano Veneto (Ambroveneto) has also broken with tradition in its appointment last year of Mr Corrado Passera, an industrial manager, as its chief executive. Mr Passera, formerly Olivetti's managing director, says the crisis in Italian banking goes far deeper than overstaffing. "Most banks still rely on products that offer little added value, such as traditional loans and deposits. They don't serve their customers in a specialised, focused way. Everybody gets the same service. That's history in other countries."

Mr Passera is splitting Ambroveneto's activities into five divisions, each catering to the needs of different sets of customers.

Modernising the banking system as a whole, says Mr Passera, will require more outsourcing, more incentives for staff, and greater collaboration between banks on information technology.

Management has long been a problem. "There are only a handful of good managers in the industry. They are a resource in short supply in Italy," says a US merchant banker. "They are not attuned to the real needs of a modern market," he says. "And it's not just a group of people fighting to preserve the status quo: they simply don't know what to do with the changes taking place."

Given such attitudes, it is all the more surprising to hear Mr Giuseppe Guzzetti – the new chairman of the charitable foundation that controls Cariplo – talk about privatising the country's largest savings bank. Mr Guzzetti is also seeking a strategic alliance with a strong private partner, such as Ambroveneto, in which France's Crédit Agricole has a 29 per cent stake. The foundation may even be willing to sell a majority stake in the savings bank, he says.

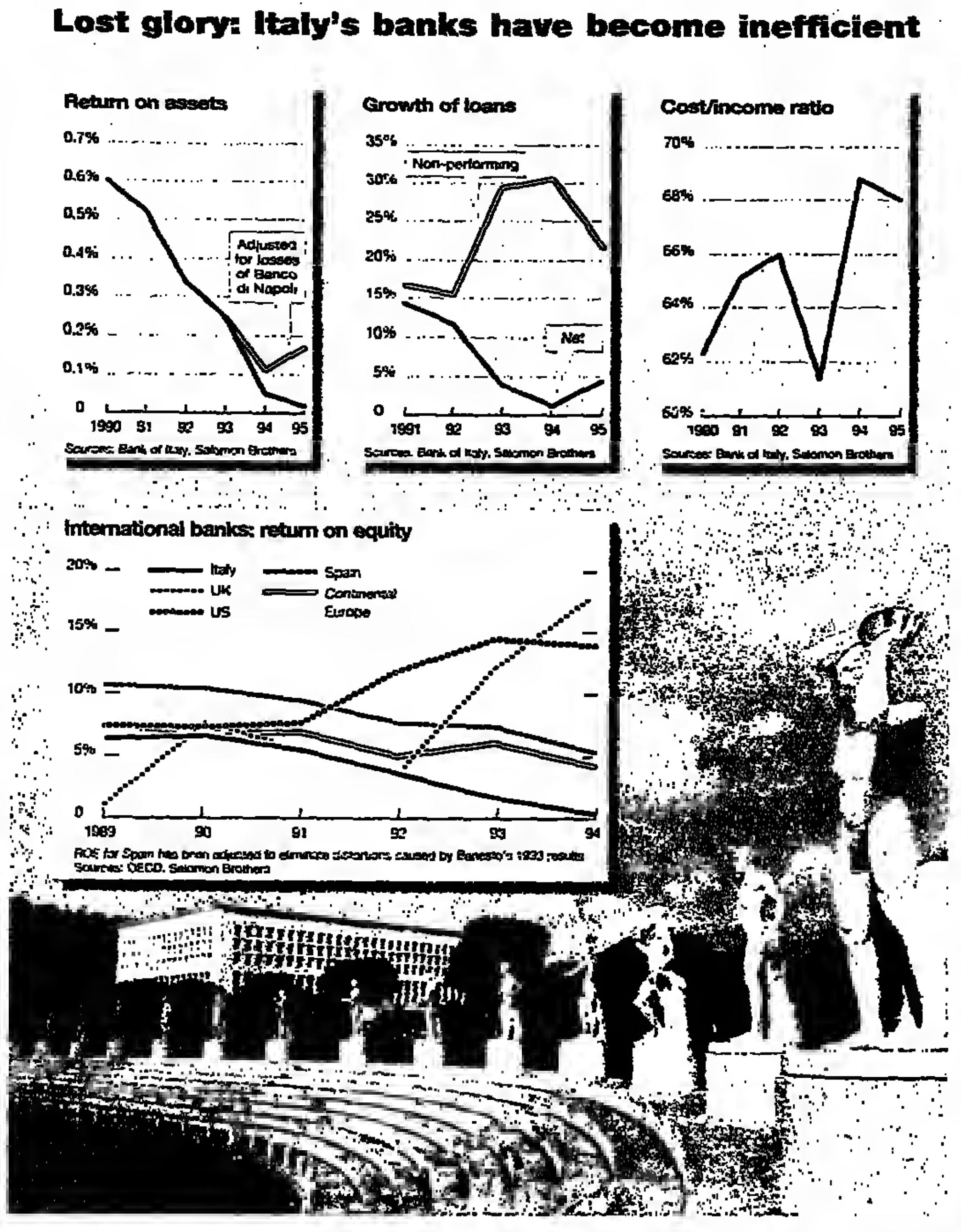
Even more dramatic are the changes taking place at San Paolo, Italy's largest bank. In 1992, the charitable foundation that controls it floated a 21.4 per cent stake, but the offering was overpriced and left a sour taste among many international investors. Since then, the bank has restructured and reorganised, moving aggressively into new fee-generating businesses. It has, for example, taken the lead in the growing Italian mutual funds market, selling more than L27,000bn of asset management products last year.

This year, it is planning a two-phase privatisation: a private placement of about 20 per cent of its shares with a stable group of core shareholders will be followed by a global offering of a further 25 per cent.

Faced with such a plethora of activity, other big banks – such as Banca Commerciale Italiana and Banca di Roma – are unlikely to remain indifferent. In contrast with the past, the current wave of change is being driven by the need to improve returns on equity, not by the scramble for political spoils that once dominated the banking sector. But transforming a banking culture, which in some cases dates back to the 15th century, will be no easy feat.

On the same day as San Paolo's charitable foundation announced its privatisation plans, it elected Umberto Eco, the author, to its board. His appointment could be an omen: the rationalisation of Italy's banking system may prove to be every bit as complex as the plot of one of Eco's novels.

Lost glory: Italy's banks have become inefficient



· O B S E R V E R ·

Millennial maestro

■ The long and monolithic career of Fidel Velázquez at the head of Mexico's biggest trade union would bring tears to the eyes of the most hardened Soviet leader. Born before the Mexican or Russian revolutions, Don Fidel, as the 96-year-old labour leader is respectfully known, has commanded the 6m members of the Confederation of Mexican Workers (CTM) for more than 50 years.

Despite increasing signs of ill-health – he dozes off at meetings; his speeches are slurred and barely audible – the union has repeatedly avoided the question of succession. At a big rally this week, Don Fidel emerged as the only candidate for next year's leadership elections, when his eighth consecutive six-year term as secretary-general comes to an end.

But the show of unity conceals fissures within Mexico's labour movement. For the past 20 years, Don Fidel's main role has been to keep labour unrest in check as real incomes have tumbled. Several rebel unions have gone their own way, while those who remained loyal to Don Fidel cannot agree on who should replace him.

And in these days of secret ballots, Don Fidel also appears to have lost his main purpose in life – to deliver the trade union vote every six years to the presidential candidate of the ruling Institutional Revolutionary Party.

Nevertheless, President Ernesto Zedillo felt obliged to attend the rally which unanimously voted to renew Don Fidel's mandate. Like the nine presidents before him, Zedillo praised Don Fidel as a "great Mexican and exemplary patriot".

Paris match

■ The French have an international reputation to protect when it comes to grand gestures and pomp. But there was an embarrassed silence yesterday when Jean Tiberi, the mayor of Paris, appeared to have dropped his prompt cards during a speech meant to set out preparations being made by the city for celebrations to mark 2000.

At the end of the mayor's address, the audience in the gilded main salon of Paris city hall was still in the dark about exactly what plans are being hatched.

In fact Tiberi's slippery hands were not to blame for the confusion; despite the assembled ranks of drummers and horn players, the mayor had nothing more to announce than the decision to set up an organising committee.

The committee, whose numerous members threatened to collapse the stage on which they were all standing, now have until October to come up with a strategy for the millennial party. If yesterday's presentation was anything to go by – it started nearly 30 minutes late – they had better get their skates on.

Ta-ta Tish

■ So it's farewell to Zygmunt Tyszkiewicz, who is stepping down as secretary general of Unice, the European employers federation, after more than a decade in the job.

The amiable Pole, naturalised British in 1955, has been an articulate proponent of business's role in Europe, latterly working in tandem with Francois Perigot – the Unice president who is also due to leave next year.

The two departures will bring to an end one of the greatest double-acts in Brussels: the quick-thinking "Tish" often used his memory of the plodding progress of European integration to steal the show from his French boss.

The former Shell manager has not yet announced what he intends to do with his retirement. But with a seat on the board of several distinguished European foundations, he should find plenty to keep him occupied.

Last laugh

■ Faced with a sick president, months of unpaid wages and a soaring crime rate, Russians are taking a rather bleak view of the world. The national mood has not been improved by the planned expansion of Nato: the zest with which Moscow's former Warsaw pact satellites are going over to the other side is seen by many as the ultimate national insult.

Amid these trials, Russians are indulging in an age-old form of solace: black humour. Radio listeners searching for a blast of late night pop music this week were confronted with a chilling warning: "We regret to interrupt our regular programming, but we have an important announcement. This weekend, Madame Madeleine Albright, the US Secretary of State, left Russia without calling off Nato enlargement. Ten minutes ago we retaliated by firing our nuclear weapons at Washington."

The bulletin was followed by a giggling voice, remarkably similar to that of defence minister Igor Rodionov, which declared: "Tee hee hee, that'll show them ..."

The Financial Times

100 years ago

An Unsatisfactory Meeting
It is difficult to see what purpose was served by the informal meeting of creditors of the Queensland National Bank held yesterday. In the first place, the notice was dated the 19th of the month, and could not therefore have been received by many of the shareholders before the morning of the 20th. The meeting gave Sir Edwin Dawes, the Chairman of the London Board, an opportunity of explaining that he and his colleagues were not responsible for the conduct of the bank in Queensland. That is certainly correct, and we must thoroughly concur in the Chairman's declaration that in the present state of affairs, which we must describe as deplorable and disgraceful, the interests of the British directors are identical with those of the depositors.

50 years ago

Argentina Railways
Buenos Aires, 25th Feb. The private and locally registered Buenos Aires Central Company may be bought out by the Argentine Government. Since the purchase of the British systems and the earlier acquisition of the French lines, the entire network of rail communications is now State-owned.

FINANCIAL TIMES
Wednesday February 26 1997

Kim gives public apology for loans scandal

Mass resignations are expected over Hanbo

By John Burton in Seoul

Senior Soutb Korean government and ruling party officials are expected to resign en masse following e televised apology yesterday for the Hanbo Steel loan scandal by President Kim Young-sam.

The resignations, mede in ritual atonement for one of South Korea's biggest corruption cases, will allow Mr Kim to conduct a sweeping reshuffle in an attempt to restore his damaged credibility as he begins his last year in office.

In e sombre address on the fourtb anniversary of taking office, Mr Kim said be was ordering the withdrawal from public life of his son Mr Kim Hyun-chul, who has become embroiled in the scandal despite being cleared of any wrongdoing.

But Mr Kim disappointed expectations that he would announce policy cbanges in the wake of the scandal, such as proposing financial or political reforms.

The entire cabinet and the leadership of the ruling New Korea party are expected to submit their resignations later this week following those of the senior presidential advisers yesterday.

"I cannot hold my bead up high because of the scandal, in which my close aides are involved," said Mr Kim, who deecribed himself as being "devastated and in despair".

Ten senior politicians and businessmen have been indicted in the bribes-for-loans scandal, including a cabinet minister, senior MPs from ruling and opposition parties, top bankers, and the founder of Hanbo which collapsed last month under debts of nearly $6bn.

"Like all fathers in the world, I regard the faults of my son as my own," said Mr Kim, referring to Kim Hyun-chul, who is suspected of wielding great influence in the Blue House, the presidential mansion.

The president'e son yesterday dropped libel suits against opposition politicians and newspapers that accused him of corruption. He is expected to go to Japan in what amounts to self-imposed exile.

Mr Kim also apologised for the forced passage of a controversial labour law thet caused industrial unrest last month.

A police crackdown on striking workers and radical students undermined his reputation as a democratic reformer, while the Hanbo scandal tarnished his image as an anti-graft campaigner.

Yesterday, the outlawed Korean Confederation of Trade Unions said it would launcb an all-out strike on Friday unless the labour law was repealed.

The president'e popularity, which exceeded 90 per cent in 1993, has fallen to nearly 10 per cent, according to recent opinion polls. The main opposition party welcomed the apology, but demanded the appointment of an independent prosecutor to re-open the Hanbo investigation.

French trade surplus advances by 25%

By David Owen in Paris

France yesterday announced a record annual trade surplus of FFr122.8bn ($21.45bn) for 1996, up 25 per cent on the previous year'sFFr97.8bn surplus itself a record.

The result will come as a fillip to the country'e centre-right government, whose sustere economic policies have come under increasing attack as unemployment, 12.7 per cent in December, has reached a post war record. The result was hailed by ministers as e sign of the "formidable competitiveness and savoir faire" of French companies.

But analysts cautioned that the performance was as much a eymptom of "anaemic" domestic spending as better competitiveness. They pointed to tbe relatively subdued growth in imports, which rose just 2.2 per cent to FFr1,363.5bn, after climbing much more rapidly in 1995.

This compared with an increase in exports of 3.8 per cent to FFr1,485.8bn after a strong second-half performance. Analysts attributed this both to a recovery in export markets and the recent depreciation of the French franc against most leading currencies. They predicted export growth would be one of the main motors behind the country'e 1997 economic growth.

Mr Yves Galland, trade minister,

said goods for current consumption, ranging from furniture to pharmaceuticals, had registered their first surplus since 1979. The professional equipment sector had also done well. Since its first surplus in 1992, this category – ranging from machine tools and computers to aircraft – has become a mainstay of the country's strong trade performance.

Last year was particularly good for French trade with European countries but relatively poor for trade with Asia.

Mr Galland predicted further progress in 1997, although the headline surplus is likely to fall to between FFr105bn and FFr115bn because of changes in the calculation.

Mr Galland said the recent appreciation of the dollar, if sustained, was likely to have a positive effect on France's 1997 figures, as would a near doubling – to 171 – in expected deliveries of Airbus aircraft.

Mr Galland also disclosed that overseas investments by French companies rose sharply in 1996, reaching FFr103bn in the first 11 months, against FFr75bn a year earlier.

French infletion remained under control in January, with the headline rate edging up to 1.8 per cent from 1.7 per cent in December.

Nomura is accused

Continued from Page 1

final valne of the All-Ordinaries Index. This contrasts with tbe way the average value of the stockmarket index on the day of closing is used by some other exchanges.

While the ASC is not making allegations about Nomnra's trading strategy directly, it is alleging that besides issuing the simple "sell" orders on its pbysical position, tbe investment bank placed a number of other orders.

This meant thet the wbole exercise amounted to market manipulation, "wash trading" (where there is no change in beneficial ownership), and "misleading and deceptive conduct in connection with dealings in securities".

Levitt alarm

Continued from Page 1

ket downturn. All funds must also publish e "risk-return summary" at the beginning of all prospectuses. These must include a bar chart showing how the fund's returns have varied over the previous 10 years.

This is different from the current system which allows companies to emphasise tbe total gain over a period without mentioning intervening fluctuations.

Each prospectus must also include a table which compares the fund'e performance with that of e broad-based index.

Japan to end ban on formation of holding companies

By William Dawkins in Tokyo

Japan's ruling coalition took another step yeeterday towards "big bang" financial deregulation by agreeing to lift a 51-year-old ban on the formation of holding companies.

The decision will allow industriel companies to restructure by spinning off unprofitable subsidiaries. It will also enable Nippon Telegraph and Telephone, the privatised telecoms group, to split into three divisions to encourage competition, and allow banks to own other financial institutions such as insurance companies.

Japanese officials say the lifting of the ban, combined with the disclosure this week of plans to abandon exchange controls, helps pave the way for financial deregulation. This is designed to make Tokyo's costly and protected markets compete with London and New York by 2001.

Holding companies were banned by the US during the post-second world war occupation, in an attempt to avoid a revival of the *zaibatsu* industrial combines which engineered Japan's militarisation in the 1930s.

Yesterday's eccord would permit the formation of holding structures, along continental European lines, with assets of up to Y15,000bn ($123bn).

Holding companies with assets of up to Y300bn would not have to notify the Fair Trade Commission. The new provisions would be reviewed after five years.

Yesterday, the ruling Liberal Democratic party and its two partners, the centre-left Social Democratic party and New Harbinger party, said they would propose an amendment to existing anti-monopoly law in parliament next month, to take effect next April.

While the proposed Y15,000bn ceiling for the new bolding structures is low enougb to exclude Japan's leading banks and stockbrokers, it opens the way for smaller groups to form companies embracing different types of financial institutions.

A wave of mergers and acquisitions between banks, stockbrokers and insurance companies is widely expected in the next few years, before Japan's big bang.

However, the agreement on holding companies leaves open two controversial issues: whether holding companies would be allowed to consolidate subsidiaries' earnings so as to cut tax bills; and whether they should be exempted from the requirement to negotiate company-wide wage agreements, thus allowing subsidiaries to fix wages.

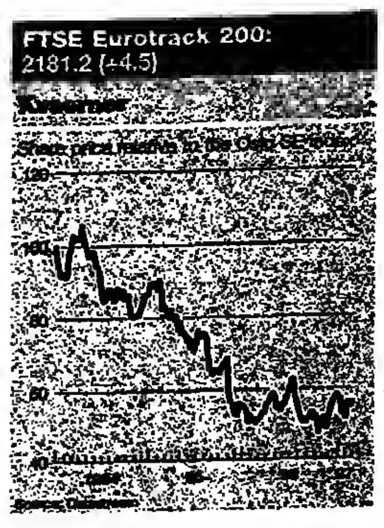
See Lex
Editorial Comment, Page 13

THE LEX COLUMN

Upholding tradition

Japan's decision to lift its anachronistic ban on holding companies is potentially of huge significance for the country's corporate sector. It should help companies to restructure by encouraging them to run different ectivities independently and to spin off underperformers. And it will allow them to adopt different wage levels for different parts of their business, improving competitiveness. A holding company structure is also needed to implement the planned division of Nippon Telegraph and Telephone into three distinct parts. But the biggest impact should be on the financial sector. By forming holding companies, banks will be able to own insurers and stockbrokers directly, eomething not allowed currently. The government's hope is that as the strong take over the weak it will reduce overcapacity and create financial supermarkets able to compete on the world stage.

There is a problem, however. Japan does not tax companies on a consolideted basis. Businesees would have little incentive to separate a loss-making subsidiary under a new holding company structure if they lose the ability to offset its tax losses against profits elsewhere. NTT's management has cut a deal which guarantees that it will not pay higher taxes for the first three years as a holding company than it would have done under its old uniform structure. But if it wants to encourage change across the board, the government mnst reform the tax system.



German taxes

Germany's proposed tax reform is only a month old and already in trouble. A rare three-hour summit this week between Chancellor Helmut Kohl and Mr Oskar Lafontaine, leader of the opposition Social Democratic party (SPD), shows how seriously the politicians are taking this matter. Unfortunately, the meeting served more to reinforce the gulf between the two sides than to bridge it.

While the SPD proclaimed its support for government plans to cut income and corporation tax rates, it is seeking to block almost all the measures put forward to finance them – from closing some of Germany's numerous tax loopholes to a possibls increase in value added tax. This looks like politics at its most cynical. The Social Democrats are not going to risk their recent revival in the opinion polls by opposing something as popular as tax cuts. But neither do they want the reforms to pass, since the government would reap the credit. As a result they are attacking the package where it is weakest – its financing. And since the SPD has a majority in the npper house of parliament, which has to pass all the important measures, it has real power to block the reforms.

Their failnre would not only deprive the economy of a mnch-needed DM30bn ($17.7bn) stimulus. It would, yet again, signal Germany's inability to modernise effectively. If the country cannot simplify its outdated tax system, what hope is there for reform of its sclerotic labour market?

Kvaerner

It is no wonder Kvaerner was in a hurry to make a UK acquisition. In the year since the Norwegian engineering group acquired Trafalgar House – shortly after being spurned by Amec – profits from its existing business portfolio have plummeted. Trafalgar may have resembled a black hole under previous management, but at least it made profits in 1996. That is more than can be said for its new parent. Strip out asset disposals and foreign exchange gains and Kvaerner lost around NKr200m ($30m), despite its claims that Trafalgar's profits exceeded interest costs on the £900m ($1.5bn) acquisition.

Perhaps more worrying is the fact that Kvaerner is half-way through its £1bn disposal programme, and net debt still rose during the second half of 1996. Debt considerably exceeds Kvaerner's market capitalisation, raising tha possibility of a rights issue sven if the management achieves its target of £500m of disposals this year.

The share price has ignored these concerns, instead salivating over the potential upside for a group that makes a zero profit margin on NKr55bn of turnover. This may be naive. The shipbuilding division, its only recent success, faces shrinking margins and its order book fell 28 per cent in 1996. True, Kvaerner still has a total order book of NKr67bn. But Trafalgar'e management notably failed to convert orders into profits, and Kvaerner's record is not much better. Investors hoping for recovery should wait for some hard evidence.

NatWest

What can realistically explain yesterday's 4¼ per cent drop in NatWest's share price? Certainly not a perfectly respectable set of results. Presumably, investors were disappointed not to be promised a fat wodge of surplus capital. Yet at the rate NatWest is throwing off cash, this is surely just a matter of time. If anything, the bank's well-justified refusal to be seduced into buying Scottish Amicable should have been welcome reassurance to those who fear the money will be squandered.

NatWest's gloom about the future may also be partly to blame. The odds are on the next government's quickly constraining demand, the bank says, and competition is likely to toughen. Yet at this stage in the cycle, such caution seems merely realistic. Especially against the backdrop of an unnerving jump in provisions at NatWest's consumer credit subsidiary Lombard, lending restraint sounds good news not bad.

Why then does NatWest attract tha lowest prospective price/earnings multiple in its sector? The most common worry is the questionable earnings quality of investment banking subsidiary NatWest Markete. And certainly, there is plenty of room for doubt over NWM's breathtaking ambition – to increase return on equity from 12 per cent in today's booming markets to 17½ per cent *over the cycle*. On the other hand, a bear case requires NWM to be valued significantly below NatWest's current multiple of just 9 times this year's profits. That, surely, takes scepticism too far.

Additional Lex on London Underground, Page 20

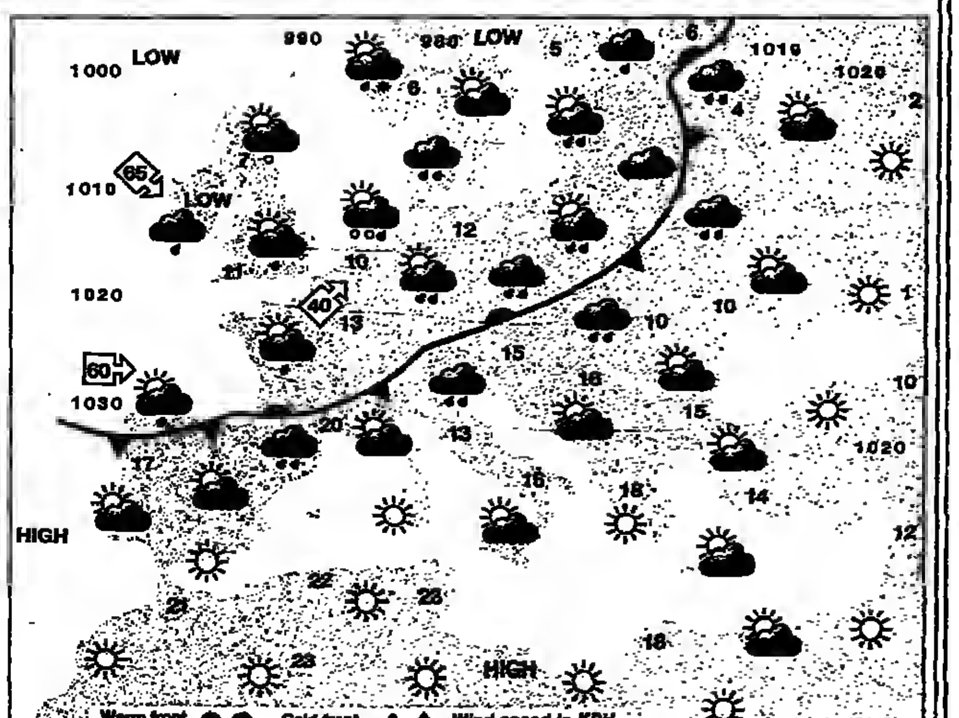
FT WEATHER GUIDE

Europe today

Westerly winds will still be strong to near gale force over Europe and will produce showers. Soft hail showers are expected over the British Isles. The French and Swiss Alps will have excessive rainf, with heavy snow expected above 2,200 metres. Sunny periods will be limited to southern parts of Spain and Turkey. The Balkans will be settled. Israel will see more showers.

Five-day forecast

Low pressure will move along the Dalmatian coast bringing unsettled conditions from the Balkans to Greece. An area of increasing high pressure will promote eunny periods in France and Spain. Over north-west Europe, a north-westerly air flow will be maintained with showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 8	Caracas	fair 28	Faro	fair 18	Madrid	cloudy 13	Rangoon	sun 34
	Celsius	Belfast	shower 7	Cardiff	shower 8	Frankfurt	rain 12	Majorca	cloudy 19	Reykjavik	snow -3
Abu Dhabi	sun 27	Belgrade	cloudy 18	Casablanca	sun 19	Geneva	rain 15	Malta	fair 19	Rio	shower 32
Accra	shower 31	Berlin	rain 12	Chicago	cloudy 5	Gibraltar	sun 18	Manchester	rain 8	Rome	cloudy 18
Algiers	sun 22	Bermuda	shower 18	Cologne	shower 11	Glasgow	shower 8	Manila	fair 32	S. Frsco	sun 17
Amsterdam	shower 10	Bogota	shower 20	Dakar	sun 27	Hamburg	shower 9	Melbourne	fair 22	Seoul	fair 12
Athens	cloudy 17	Bombay	sun 32	Dallas	thund 22	Helsinki	shower 5	Mexico City	fair 27	Singapore	fair 30
Atlanta	drzzl 17	Brussels	shower 10	Delhi	fair 30	Hong Kong	fair 23	Miami	sun 28	Stockholm	shower 7
B. Aires	fair 29	Budapest	rain 15	Dubai	sun 27	Honolulu	fair 27	Milan	shower 11	Strasbourg	rain 15
B.ham	rain 8	C.hagen	shower 5	Dublin	shower 8	Istanbul	fair 12	Montreal	snow 3	Sydney	shower 25
Bangkok	fair 38	Cairo	sun 18	Dubrovnik	cloudy 17	Jakarta	shower 29	Moscow	rain 8	Tangier	sun 19
Barcelona	cloudy 18	Cape Town	sun 23	Edinburgh	shower 6	Jersey	shower 13	Munich	rain 15	Tel Aviv	shower 15
						Karachi	sun 31	Nairobi	thund 30	Tokyo	fair 12
						Kuwait	sun 25	Naples	fair 16	Toronto	drzzl 8
						L. Angeles	sun 18	Nassau	fair 27	Vancouver	rain 9
						Las Palmas	fair 22	New York	drzzl 11	Venice	rain 11
						Lima	cloudy 27	Nice	shower 17	Vienna	rain 17
						Lisbon	cloudy 19	Nicosia	cloudy 16	Warsaw	rain 13
						London	shower 11	Oslo	shower 8	Washington	cloudy 16
						Lux.bourg	shower 8	Paris	shower 13	Wellington	fair 20
						Lyon	rain 15	Perth	sun 35	Winnipeg	fair-11
						Madeira	fair 16	Prague	rain 14	Zurich	rain 14

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday February 26 1997
Week 9

IN BRIEF

Stena warns on merger delay

Stena Line, the Swedish ferry operator, warned that a long delay in approval for the planned merger of its English Channel operations with P&O might result in the joint venture missing the lucrative peak season. Page 16

Rabobank to pay Fl 1.1bn for Robeco
Rabobank, the Dutch co-operative banking group, is to pay Fl 1.11bn ($594m) if it proceeds to a planned full takeover of Robeco, one of the country's leading fund managers, in a deal agreed in principle last June. Page 16

DSM blames fall on cost-price squeeze
DSM, the Dutch chemicals company, said its bulk plastics business had been caught in a pincer movement between rising raw material costs and lower prices, cutting last year's net profits by 32 per cent. Page 16

Price competition hurts LG Electronics
LG Electronics, South Korea's second-largest electronics company, reported an 18 per cent fall in 1996 net profit to Won64.8bn ($75m) due to price cuts in the domestic market, although sales rose 14 per cent, to Won7,500bn. Page 17

Buoyant Matsushita plans write-off
Matsushita, the Japanese consumer electronics group, announced improved third-quarter results, but said it planned to write off a Y100bn ($115.6m) loan to a finance subsidiary. Page 17

AT&T launches fresh telephony attack
AT&T opened a new front in its planned attack on the US's $100bn local telephony markets as it unveiled a new wireless technology that would allow it to bypass the US's existing local telephone networks. Page 18

Heron plans European network
Heron International, the property company run by Mr Gerald Ronson which was rescued in 1995 by a US investor group, is to develop a network of "branded" multiplex cinemas and leisure centres in continental Europe. Page 20

Prestige bought by Hong Kong
Prestige, the quintessentially British maker of pots, pans and potato peelers, has been bought from the receivers by Meyer International Holdings, a Hong Kong-based company. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Linde	1120	+	44
[illegible]	4125	+	95
Preussag	419.5	+	7.5
Wella	891.0	+	19.5
Falls			
Lahmeyer	621	−	19
Rheinelektra	1240	−	45
NEW YORK ($)			
Rises			
Centennial Tec	7¾	+	3½
Coca Cola Fems	34⅞	+	2½
Superior Tel	25⅛	+	1⅜
Falls			
Belco Oil & Gas	19½	−	3½
Cross Cont	16⅛	−	1⅞
Unit Auto	29	−	2¾
LONDON (Pence)			
Rises			
[illegible]	54½	+	9
PPL Therapeutics	455	+	67½
Falls			
Alumasc	318	−	53½
[illegible]	65	−	15
[illegible]	33½	−	8
SEP Ind	28	−	10½
TORONTO (C$)			
Rises			
Baton B'cast	8.5	+	0.8
Falls			
AMJ Data Sys	5.25	−	0.6
Autostock	5.4	−	0.6
Oxford Prop	24.25	−	1.75
Seven Seas	10.8	−	0.95
[illegible]	22.7	−	6.3

PARIS (FFr)			
Rises			
Bancaire Comp	737	+	32
Club Med	451	+	20
Dollfus Mieg Cie	169.1	+	10.1
Legrand	972	+	32
Moulinex	134.8	+	8.3
Synthelabo	594	+	29
TOKYO (Yen)			
Rises			
Daikyo Inc.	495	+	38
M'bishi Paper	484	+	29
Mitsukoshi	806	+	47
Falls			
Green Cross	520	−	46
Itoham Foods	604	−	31
Yoshitomi Pharm	822	−	68
HONG KONG (HK$)			
Rises			
Oriental Press	2.92	+	0.22
Road King	7.45	+	0.40
Shandong Xin	2.52	+	0.22
Swank Intl	0.94	+	0.11
Winsor Ind	1.94	+	0.15
Falls			
Shui On Constn	7.2	−	0.4
BANGKOK (Baht)			
Rises			
[illegible]	126	+	11
Seafresh Inds	26.25	+	2.25
Singer	106.0	+	9.5
Falls			
Italian Thai	113	−	12
Navakij Ins	45	−	5
Trang Sea Food	37.25	−	4.00

New York and Toronto prices at 12:30.

Great Western fuels takeover jobs row

Thrift adds 'poison pill' to contracts to thwart Ahmanson

By John Authers in New York

Great Western Financial, the target of a hostile $6bn bid last week from H.F. Ahmanson, another California-based thrift, yesterday aggravated an argument about the job cuts the takeover may cause by introducing a "poison pill" severance package for all its staff. That will make it more expensive for any bidder to make staffing cuts.

The decision, accompanied by Great Western's announcement that it was postponing its annual shareholders' meeting, is the latest escalation in an acrimonious dispute about corporate "downsizing".

Ahmanson, the largest US thrift, is still trying to mend fences after its chief executive, Mr Charles Rinehart, last week promised his existing employees that none of them would lose their jobs, or take a salary cut, as a result of the merger.

As the company had put cost cuts at the centre of its bid, saying it would close 25 per cent of the branches in the combined company's network, and save $400m in annual costs by the end of 1999, analysts assumed that this could only be achieved by laying off almost half of Great Western's workforce. Ahmanson had predicted that it would need to pay $325m in restructuring charges related to premises, severance and operations.

Mr John Maher, chief executive of Great Western, described the promise as "repugnant". He said the new severance plan was "designed to help our employees stay focused on what they do best".

The package, which takes effect only in the event of a change of control, has been written into employees' contracts, and guarantees at least six months' pay from the moment they are given notice.

He said the shareholders' meeting, set for April 22, had been postponed to ensure participants did not have to vote "without the benefit of all the information they need". No new date has been set.

Mr Rinehart has since written to Great Western, saying that his promise to Ahmanson employees remains in force but that lay-offs will be "minimal". He added that his commitment to his existing employees would "not cause a single Great Western employee to lose his or her job".

But he added: "If we drew attention by being candid where other acquirers are not, we are prepared to live with it. Disproportionate treatment of employees occurs – as a reality – in virtually every merger and would occur if Great Western were acquired by a third party."

Great Western is known to be examining several other bidders. Unlike Ahmanson, their branch networks do not closely overlap Great Western's and so the potential for staff cuts is more limited.

UK bank to tighten lending in anticipation of economic slowdown

NatWest shares fall 4% after warning over loans

By George Graham in London

Anticipating a slowdown in the UK economy: Lord Alexander, left, chairman of NatWest, and Derek Wanless, chief executive Picture: Lyde van der Meer

National Westminster Bank's shares fell 4 per cent yesterday to 776½p as it warned it was reining in lending in anticipation of a slowdown in the UK economy next year.

The bank said yesterday it was "adopting a more cautious approach to lending", as it reported a 27 per cent rise in underlying operating profits to £1.61bn ($2.6bn) last year.

Pre-tax profits fell from £1.75bn to £1.12bn, after a book loss of £690m on the sale of its US retail banking operations to Fleet Financial and a number of exceptional items.

Mr Derek Wanless, chief executive, said the group was especially cautious about lending on property, construction and some areas of the small business market.

"We are conscious that this is the tima in the cycle that banks have, historically, lost it, and we have no intention of doing that," he said.

Many stockbrokers revised their profit forecasts downwards, voicing concern over rising costs. But substantial changes within the group made comparisons difficult.

Estimates of 1997 pre-tax profits stretched from £1.9bn to £2.3bn, an unusually wide range for such a large and closely monitored company.

NatWest also said it had pulled out of the bidding for Scottish Amicable, the mutual life assurer. "We couldn't make economic sense of it for our shareholders. Clearly, the market is fairly hot in terms of tha valuation of that sort of company," Mr Wanless said.

The bank's shape has been significantly altered by the acquisitions last year of tha Gartmore fund management group, US fixed income trading operation Greenwich capital, and Hambro Magan, the UK corporate finance boutiqua. In 1995 it acquired Gleacher, a US corporate finance bouse.

But Lord Alexander, group chairman, said NatWest foresaw no need for further investment banking acquisitions and regarded last year as "the culmination of the reshaping of NatWest".

"What we think we've got is a well balanced set of businesses," he said.

Pre-tax profits at NatWest UK, the retail banking franchise which remains the core of the group, rose 3 per cent to £708m even after £186m of provisions for the redesign of the branch network and the disposal of surplus properties.

The bank expects to spend an extra £100m over the next two years on ensuring its computer systems are ready to cope with 2000 date problem.

Profits at Lombard, the finance house, fell 3 per cent to £228m, while the Coutts private bank fell 11 per cent to £72m.

NatWest Markets, the investment bank, increased profits by 52 per cent to £462m, helped by a sharp drop in bad debt provisions, which were inflated last year by a large charge for Eurotunnel.

Headline earnings per share rose from 64.9p to 66.6p, and the total dividend rose from 25.3p to 29p.

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Kvaerner profits drop 70% after Trafalgar buy

By Hugh Carnegy in Stockholm

Kvaerner, the Norwegian shipbuilding, engineering and construction group, yesterday reported a 70 per cent fall in 1996 profits as it grappled with its acquisition of the UK conglomerate Trafalgar House as well as weak performances in several of its older businesses.

Mr Erik Tonseth, chief executive, said the decline in pre-tax profits from NKr2.4bn ($362m) to NKr750m was "most unsatisfactory". He said an operation to cut costs and restructure ailing units would continue this year.

Pre-tax earnings in the fourth quarter tumbled from NKr503m to NKr20m. Full-year earnings per share slid from NKr40.78 to NKr19.87, but the dividend is unchanged at NKr6.5 per share.

Mr Tonseth said there was room for "guarded optimism" in several of Kvaerner's markets. But he warned: "With continuing pressure on margins and short-term overcapacity in some of our businesses, it is unlikely that profits will improve significantly until the second half of 1997."

Despite tha disappointing results, the group's core divisions performed in line with expectations and Kvaerner's most-traded A share rose NK11 yesterday to closed at NKr350.

"I think the share could gain more momentum in the short term," said Mr Knut Lövstad, analyst at Kleinwort Benson in London.

"But people will wait to see the results in the second half of the year and in 1998. It is going to be a while until we see if Kvaerner is really able to perform."

Kvaerner has transformed itself since its £904m ($1.5bn) acquisition of Trafalgar House, shifting its head office from Oslo to London and integrating Trafalgar's main process engineering, construction and metals businesses under the Kvaerner name.

In 1996, it sold £555m non-core assets; it aims to have raised £1bn by 1998 to pay for the acquisition.

It said the Cunard cruise line, one of the main remaining assets, had delivered a "weak result". Kvaerner has so far struggled to find a buyer for the company, which owns the QE2.

The heaviest losses in 1996 came in Kvaerner businesses which pre-dated the Trafalgar takeover.

The oil and gas engineering division swung from a 1995 pre-tax profit of NKr276m to a loss of NKr33m on sales up from NKr6.2bn to NKr9.6bn. The pulp and paper machinery unit fell further into the red, from a loss of NKr178m to a loss of NKr266m.

Heavy losses in tha energy division also contributed to a pre-tax loss of NKr255m in the "other businesses" section. Last time it made a profit of NKr813m. The main contributor to group profits was the shipbuilding division, even though its pre-tax profit fell from NKr1.5bn to a profit of NKr1bn on sales down from NKr14.1bn to NKr12.5bn.

Lex, Page 14

Japan Telecom to go global

By Michiyo Nakamoto in Tokyo

Japan Telecom, a domestic long-distance telecoms carrier affiliated to railway companies, is to provide global services in voice and data communications.

The company said it planned to link its domestic network to those of international carriers, such as KDD, to provide seamless services for its 14m domestic customers starting next spring.

It will provide international direct dial, credit card services, leased-line and data services, as well as its existing long-distance voice telephony and cellular phone services. The company has already formed alliances with a Singaporean satellite telecoms company and a new carrier in Korea.

The decision to enter the international market highlights growing competition among Japanese carriers as deregulation removes the barriers between regional, long-distance and international telecoms operators.

NTT, Japan'e largest domestic carrier, has already taken steps to enter the international market once regulations on its businesses are removed.

KDD, the largest international carrier has joined nine regional telecoms operators in an alliance providing local and international services. Japan has committed itself to lifting a ban on foreign ownership of telecoms carriers other than NTT and KDD in the World Trade Organisation's global telecoms agreement reached this month.

Against this competition, the three latest entrants to the long-distance market, Japan Telecom, DDI and Teleway Japan, face strong pressures to expand their business coverage.

Japan Telecom said it intended to start its global business by providing one-stop international voice telephony services to domestic customers, possibly at a discount, hnt that this would be expanded to include services such as data transmission.

Holocaust institute presses Generali to open files

By Norma Cohen in London and Avi Machlis in Jerusalem

Assicurazioni Generali, one of Europe's largest insurers, is being pressed by Yad Vashem, the Israeli-based Holocaust research institute, to open files on possibly tens of thousands of former customers who were murdered by the Nazis.

Release of the files could open the door for a flood of claims against Generali by Holocaust victims and their descendants who have not received the policies' proceeds.

In a recent statement, Mr Avner Shalem, Yad Vashem chairman, asked Generali to give it access to a warehouse in Trieste in northern Italy.

The company uses the warehouse to store tens of thousands of files of policyholders dating from before tha second world war.

The dispute comes as Generali is pressing ahead with plans to increase its stake in Migdal, the government-owned Bank Leumi's insurance arm.

Ms Elisheva Anspacher, a lawyer representing 15 families seeking proceeds of Holocaust victims' Generali insurance policies, is pressing legislators to delay the deal until some compensation is agreed.

Generali was formed in 1831 by a group of Jewish insurers and built up a significant market share in eastern Europe, particularly among Jewe. Insurance policies were also used for pensions and were a means of saving for a daughter's dowry.

Generali has until recently denied that it even had records relating to insurance policies taken out before and during the war. However, in February, Generali officials admitted the existence of the Trieste warehouse holding documents dating back over a century.

Ms Anspacher says that Generali had previously told people with Czech policies that their records were held in Prague.

Generali has insisted her clients produce the original policies before it will pay claims, Ms Anspacher says.

"Most of my clients didn't have their documents when they came back from the concentration camps."

Generali yesterday declined to comment but has previously said its eastern European businesses were confiscated by communist governments after the war and thet clients must pursue claims against them.

Stena cautious on outlook for 1997

By Greg McIvor in Stockholm

Stena Line, the Swedish ferry operator, yesterday warned that any significant delay in regulatory approval for the merger of its English Channel operations with P&O could result in the joint venture missing the lucrative peak season.

The company said it "could not exclude the possibility" that the disruption from the forthcoming UK general election campaign could delay approval.

Its comments came as its losses deepened in the fourth quarter amid fierce price competition on the English Channel from Eurotunnel, the Channel tunnel operator, and disruption stemming from delayed ship deliveries.

The UK's Monopolies and Mergers Commission was dne to publish its report on the P&O tie-up in April or May, Stena said, and the election was expected to be held in May. Once the commission has passed it, the UK government and French competition authorities must then grant permission.

"If the decision from the competition authorities is delayed a long way into June there is a risk the joint venture's traffic will not be possible until after the peak eeason," Stena said. The nncertainty made it difficult to forecast the group's performance for 1997.

Stena's shares fell SKr2.20 to SKr37.50, or 5.5 per cent, following the comments. The company suspended the dividend as it reported a full-year pre-tax loss of SKr448m ($60.81m), in line with company forecasts last year, against a SKr201m profit in 1995.

Last year's losses came in epite of a 13 per cent increase in ferry passengers and private cars on Stena routes. Turnover was SKr9.2bn, against SKr9.4bn in 1995.

Stena doubled its capacity on the Channel in competition with Eurotunnel, but the increased revenues had not compensated for the costs of the change. The company slashed prices when Eurotunnel halved its rates on the eve of last year's peak season.

Overall, Stena's group costs rose 9.1 per cent.

Passenger numbers on Stena's five Channel routes jumped from 3.3m to 5.6m. The number of private cars advanced from 531,000 to 978,000, while freight volumes increased from 171,000 units to 243,000 units.

The company was plagued in 1996 by disturbance to traffic, caused by late delivery of high-speed service (HSS) vessels, and problems when first using them.

DSM blames decline on cost-price squeeze

By Jenny Luesby

DSM, the Dutch chemicals company, said yesterday its bulk plastics business had been caught in a pincer movement between rising raw material costs and lower prices, cutting last year'e net profits 32 per cent.

The plastics division, known as polymers and performance materials, suffered a 70 per cent drop in operating profits, from Fl 799m to Fl 243m ($129m).

For the group as a whole, operating profits fell from Fl 1.52bn to Fl 998m, on sales down 5 per cent at Fl 10.26bn. Net earnings fell from Fl 1.07bn to Fl 720m.

As a producer of ethylene and propylene, the main raw materials for plastics, DSM suffered from the very top of the plastics production chain. The price for naphtha, the oil and gas extract which is used to make these raw materials, rose faster than both ethylene and propylene prices.

At the same time, prices for the group's main plastics, polyethylene, polypropylene and ABS, were lower than a year earlier – although 1995 prices were unusually high.

Mr Simon de Bree, chairman, emphasised that the more subdued performance in 1996 had still realised a return on capital employed of almost 15 per cent.

However, the stock market was more impressed by his predictions for this year. The group expected no further deterioration in plastics margins and prices in the first half. Analysts ascribed a Fl 5 gain in the share price – to Fl 190 – to this forecast.

Elaewhere, industry experts are predicting renewed price pressure on polypropylene, as a result of increasing oversupply.

DSM yesterday confirmed it had begun production at a third polypropylene plant some weeks ago, and further enlargements were expected to raise its capacity from 300,000 tonnes a year to 550,000 by next year.

However, it annonnced plans to iron out the volatility in its dividends, by relating them to cash flow rather than profits.

The group's shift to fine chemicals is also aet to reduca the profit awings. Last year, DSM doubled sales of fine chemicals to Fl 1.2bn, helped by the acquisition of Austria'a Chemie Linz and Spain's Deretil.

DSM is also thought to be interested in acquiring Unilever's speciality chemicals business.

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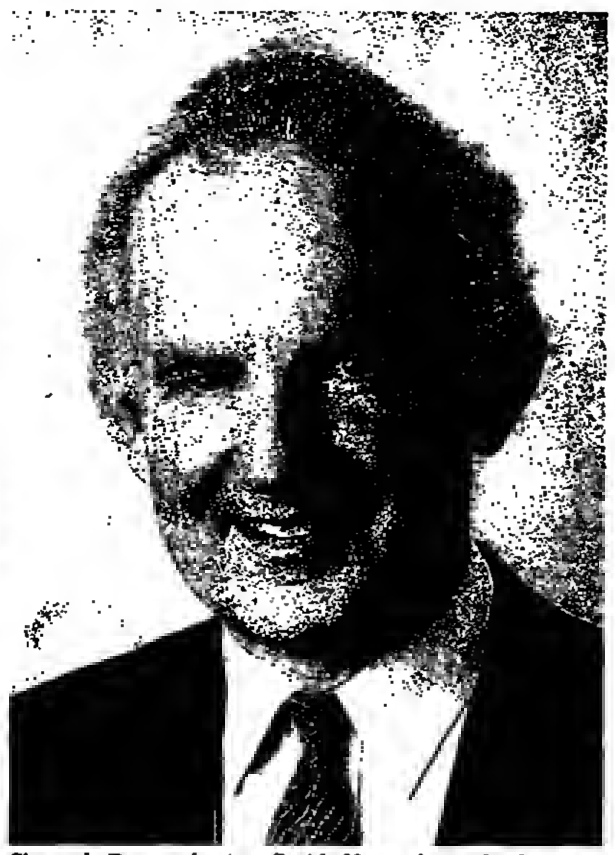


Simon de Bree: upbeat on first half margins and prices

Swiss Re to be lead reinsurer in France

By Patrick Jenkins and Andrew Jack

Swiss Reinsurance is set to become the leading reinsurer in France through the acquisition of a controlling stake in Société Française de Réassurances (SAFR).

AGF, the French insurance group privatised last year, ia expected to announce as soon as today the sale of its 47 per cent stake in SAFR.

Athéna, which holds a further 10 per cent, will do the same, bringing Swiss Re's participation to 78 per cent.

AGF, which merged its reinsurance business with SAFR in 1991, said in Jannary this year it had launched a "strategic review", inspired by a decision to follow other French insurers and pull out of reinsurance.

The purchase will reinforce Swiss Re's position in the battle for reinsurance. It sees off rival interest from French-based Scor and Hanover Re of Germany.

The news emerged on the day Standard & Poor's, the rating agency, downgraded AGF's credit rating, citing concerns about intensifying competition in the French market.

S&P reduced its assessment of both the life and non-life divisions' ability to pay claims from AA to AA-.

It said AGF had an "excellent position" in France for corporate business and was a European leader in export credit insurance.

S&P said the insurer bad dealt with its property and banking problems, and that some of its initiatives to rednce costs and improve risks were beginning to bear fruit.

However, S&P argued that AGF's operating profits and investment returns over the past three years had been disappointing, and that a trend in France towards lower premiums would not help it to improve.

It said the recent merger of Axa and UAP, and the opening of the French insurance market to other international groups, would put additional pressure on prices in France.

AGF said yesterday that, in spite of the change, its rating "remained among the best on the market".

● Mr Dominique Bazy, a former senior exechtive with UAP, who announced hia departure earlier this month after the group merged with Axa, has been appointed head of the French operations of Allianz from March.

Patrick Jenkins writes for the FT's World Insurance Report

Rabobank set to pay Fl 1.1bn for Robeco

By Gordon Cramb in Amsterdam

Rabobank, the Dntch co-operative banking group, is to pay Fl 1.11bn ($594m) if it proceeds to a planned full takeover of Robeco, one of the country's leading fund managers, in a deal agreed in principle last June and concluded yesterday.

For an initial payment of Fl 530m, Rabobank has become the owner of half the shares in Robeco Groep, a newly created holding company for the Rotterdam-based Robeco funds and operational activities.

It has an option exercisable after four years to pay Fl 585m for the remainder "if, in time, the closer co-operation turns out successful", the two groups said.

A measure of this would be if assets under management reached Fl 150bn, or if half the total figure had been provided by or through Rabobank by that time. At the end of last year, Robeco's managed assets stood at Fl 81.5bn, up 13 per cent from December 1995.

Robeco will continue to be run by its current executive committee, and Rabobank will nominate only a minority of its supervisory board. This is to assuage shareholders in some of Robeco's 16 investment companies who had expressed disquiet last year about the effects of the proposed deal.

A reorganisation has grouped all Robeco'e asset management activities under two operating companies – Robeco Nederland and Robeco International. The exception is property, where Rabobank would have fallen foul of US legislation if it controlled significant real estate interests.

To get around this, a 60 per cent interest in RoProperty Services, the management company for those holdings, is being shifted to Rodamco, the group's property fund and RoProperty's main client.

The new Robeco Groep umbrella company will hold only 5 per cent in RoProperty, with the remainder placed elsewhere.

Robeco Groep has inherited all assets and liabilities of Robecam, the previous administration company for the group, apart from Fl 100m in liquid funds. The book profit on the sale of the first 50 per cent to Rabobank, totalling Fl 350m, was injected yesterday into the assets of the 16 companies.

For at least the next four years, until Rabobank buys the remainder, they will also receive prefereoce dividends totalling Fl 45m a year. Remaining profit will flow to Rabobank which, the companies noted, would now be bearing almost all the operating risk of Robeco Groep.

They said one factor prompting the merger was the scheduled arrival of European monetary union in less than two years.

Egypt 'happy' after sale of its largest brewer

The New York-based Luxor Group yesterday finalised the first direct sale of an Egyptian state company to the private sector through the issue of global depository receipts.

An Egyptian government official confirmed last night that it had now disposed of its 75 per cent stake in Egypt's largest brewing concern.

The deal, the first Egyptian privatisation through a GDR issue, marks an important advance in Egypt's extensive sell-off programme.

Payment for 3.3m shares in Al-Ahram Beverages was made to the Egyptian government after the company had been sold through the issue, which was 7.5 times oversubscribed and priced at $15.50 a GDR. Luxor Group had earned the government $78m, including dividends, from the sale, the official said.

The deal bas been closely scrutinised by Cairo and London financiers since the previously unknown Luxor Group clinched the brewery purchase in November 1996. Questions were asked why the government had decided to sell to a single investor rather than pursue a share issue.

"Everybody in Egypt is happy. It's good for Egypt, because the GDRs mean that Egypt's market is becoming international," said Mr Omar Saad Eddin, an adviser to the government holding company which sold the brewery.

"It's the first time that a company has been sold like this to the private sector. For more than two years we didn't find anybody to take even one-third of the company. But the Luxor Group is bringing in new management and new expertise," he said.

The identity of the Luxor Group, which was incorporated in the US last year as a limited liability company specifically to serve as a vehicle for investing in Egyptian etocks, has left many investors baffled. Several finance houses turned down requests to lead-manage the deal before it was taken up by HSBC James Capel.

Al-Ahram has five years to be modernised by the new owner. By 2002 it must vacate two of its three breweries, when the sites revert to the government.

It must now invest around $50m in a new brewery, for which Danbrew, the consultancy arm of Danish brewer Carlsberg, is said to be providing technical advice.

Carlsberg has confirmed it will provide advice on brewing processes to the new management. It is also believed to be negotiating the production of Carlsberg brands under licence to Al-Ahram.

Mark Huband

INTERNATIONAL NEWS DIGEST

Valeo posts 19% increase for year

Valeo, the French automotive components group, yesterday reported a near 19 per cent advance from FFr1.01bn to FFr1.2bn ($213m) in 1996 profits, after what Mr Noël Goutard, chairman, described as "an exceptional year". The result, which was in line with analysts' expectations, was achieved on sales ahead 14.4 per cent at FFr28.9bn. Operating income rose 35.7 per cent from FFr1.36bn to FFr1.85bn. The group said it would pay a net dividend totalling FFr12 a share for the year, sharply up from the 1995 figure of FFr2.70.

The bulk of this was paid out last November in the wake of the sale of a controlling 27.4 per cent stake in the company held by Cerus, the French holding company of the Italian industrialist Mr Carlo De Benedetti, to three separate buyers.

Mr Goutard believes the group is on course to achieve turnover of FFr40bn by 2000. Yesterday's figures were released after the Paris stock market closed with Valeo shares down FFr5.90, or 1.5 per cent, at FFr380.40.

David Owen, Paris

Sanofi records 11% advance

Sanofi, the quoted drugs arm of Elf Aquitaine, the French oil group, yesterday reported an 11 per cent advance in 1996 earnings, helped by the knock-on effect of increasing its stake in Chinoin, a Hungarian pharmaceutical company. The gradual increase in this holding, which now stands at nearly 100 per cent, has resulted in a correspondingly sharp reduction in the proportion of the Hungarian company's earnings that needs to be paid back to minority shareholders.

This helped net earnings to climb from FFr1.58bn to FFr1.74bn ($309m), despite a comparatively modest 3 per cent improvement – from FFr3.43bn to FFr3.53bn – in operating profits. Net earnings per share rose 8 per cent from FFr15.53 to FFr16.80. Sales were ahead 3 per cent from FFr23.03bn to FFr23.65bn. The healthcare segment continued to account for the bulk of this turnover, with sales up 5 per cent to FFr19.8bn at constant exchange rates and comparable structure.

David Owen

Skanska and NCC improve

Skanska and NCC, Sweden's two largest construction groups, yesterday reported increased full-year profits for 1996. Skanska's pre-tax earnings rose from SKr2.6bn to SKr5.2bn ($706m), at the upper end of expectations. Much of the increase was attributed to a SKr1.8bn capital gain on the sale of shares and the acquisition of Skane-Gripen, a Swedish building materials group. The company doubled the dividend to SKr10 and said it was seeking ways to transfer SKr8bn-SKr10bn of excess capital to shareholders.

NCC's pre-tax profits rose from SKr230m to SKr462m as it benefited from the first improvement in the Swedish construction market during the 1990s. But the group, which last week announced it was merging with Siab, a Swedish rival, predicted the market would contract by more than 1 per cent this year and into 1998 due to a reduction in state infrastructure projects. Skanska sales rose from SKr38.6bn to SKr47.9bn, or 11 per cent excluding the Skane-Gripen acquisition. Turnover rose from SKr16.6bn to SKr23bn, helped by acquisitions. Its shares dipped SKr1.50 to SKr94, while Skanska stock eased SKr1 to SKr340.

Greg McIvor, Stockholm

VW profits more than doubled

Preliminary net profits at Volkswagen, Europe's biggest carmaker, more than doubled from DM336m to DM678m ($406m) in 1996, on a 13.6 per cent rise in sales to DM100.1bn. The German group said yesterday it would raise the dividend from DM6 to DM9 on its ordinary shares and from DM7 to DM10 on its preference shares. Cash flow rose 4.4 per cent to DM10.9bn last year and investment increased 16.9 per cent to DM15.3bn. The release of the headline figures followed a meeting of VW's supervisory board. Full details of 1996 results would be released at its annual news conference on April 10, VW said.

Sarah Althaus, Frankfurt

Gencor ahead at mid-term

Gencor, South Africa's second-largest natural resources group, yesterday celebrated the rapid expansion of its aluminium business with a near-50 per cent rise in earnings at the halfway stage. Total income rose 46 per cent to R989m ($223m), mainly because of a higher contribution from Alusaf, the primary aluminium smelter in KwaZulu Natal. Earnings per share were up 49 per cent to 60.2 cents, in spite of a scrip issue in December which increased the number of shares by more than 10 per cent. The interim dividend was 21 per cent higher at 8.5 cents a share.

Mark Ashurst, Johannesburg

Blokker deal faces inquiry

The European Commission has decided to open a full-blown investigation into the takeover of the Dutch Toys R Us operation by Blokker, the toy and household goods retailer also of the Netherlands. The competition authorities in Brussels are worried that a takeover by Blokker could turn its leading market share into an unfair domination as a toy retailer. The deal would not normally fall under the jurisdiction of the Commission, but the Dutch authorities referred the case to Brussels under special rules.

Emma Tucker, Brussels

Philips to sell UPC stake

Philips, the Dutch electronics group, is to raise some Fl 800m ($426m) through the sale of its half-share in UPC, Europe's largest private cable operator, to its joint venture partner, the Colorado-based United International Holdings. Philips is shedding peripheral holdings in an attempt to reverse a slide into loss last year.

Of the proceeds, Fl 308m are in the form of new shares in UPC which Philips will be able to sell after the deal is finalised in the third quarter.

Gordon Cramb, Amsterdam

Ambroveneto up 6.5% for year

Banco Ambrosiano Veneto (Ambroveneto), the north Italian bank, yesterday announced a 6.5 per cent rise in net profits for 1996 and an unchanged dividend of L160 per ordinary share and L180 per savings share. The bank, which is in talks on a possible link-up with Cariplo, Italy's largest savings bank, said net profits rose to L171bn ($103m) from L160bn the year before. It said the group's consolidated results were also expected to show improvement, and that the consolidated return on equity would be higher than 8 per cent. The bank's total assets rose more than 15 per cent to L84,683bn last year.

Paul Betts, Milan

Petrofina to NY listing

Petrofina, the Belgian integrated oil and petrochemicals group, plans to increase its stake in US subsidiary Fina from 85 per cent to 100 per cent and seek a listing on the New York Stock Exchange – the first Belgian company to do so. A special board meeting resolved yesterday to offer shareholders of Fina $60 a share – representing a $266m price tag for the remaining 15 per cent. Petrofina will negotiate with Fina directors on whether the payment will be offered in cash or shares. The offer price represents a 20 per cent premium to the $50 price of Fina's shares on the American Stock Exchange, before they were suspended pending Petrofina's announcement yesterday.

The Belgian group, the country's second-largest by market capitalisation, said the full merger with Fina was a "logical" step.

Neil Buckley, Brussels

Price competition hurts LG Electronics

By John Burton in Seoul

LG Electronics, South Korea's second-largest electronics company, reported an 18 per cent fall in 1996 net profit to Won64.8bn ($76m) as a result of price cuts in a competitive domestic market, although sales rose 14 per cent, to Won7,500bn.

The result was below market expectations, but LG Electronics shares remained unchanged yesterday at Won11,300.

The company said it suffered a foreign exchange loss of Won70bn on foreign debt as the Korean currency fell almost 9 per cent against the US dollar last year. This cut recurring profit – before tax and extraordinary items – by 89 per cent to Won12.9bn.

However, the effect of the loss was cancelled out by Won70bn in extraordinary gains through the sale of its shareholdings in LG Information & Communications, a subsidiary of the LG group, and Dacom, Korea's second-largest international telephone operator.

The decline in net earnings reflected a cut in prices by 5-10 per cent in the domestic consumer electronics market, which accounts for a quarter of the company's revenues.

LG has 40 per cent of the Korean consumer electronics market as a leading producer of televisions, VCRs and washing machines. Samsung Electronics has 40 per cent and Daewoo Electronics 20 per cent.

Recent domestic price cuts on consumer electronics reflect the need to boost stagnant demand and the increased competition from foreign producers. Exports have been hurt by a weaker yen making Japanese products cheaper in overseas markets.

Analysts say earnings for LG Electronics in 1997 will be unchanged or improve only slightly because of continued tough conditions in the domestic market. Profits will be affected by the company's heavy investments in the production of advanced liquid crystal display devices.

Caspian outlines moves to expand in Asia

By John Ridding in Hong Kong

Caspian, the emerging markets investment bank, yesterday outlined plans for expansion in Asia, including the recruitment of new strategic investors, and said it was poised to make its first acquisition since its launch in 1995.

Speaking at the opening of the company's Hong Kong office, Mr Christopher Heath, Caspian founder and chief executive, said an announcement about a new capital injection would be made shortly. Caspian currently has a capital base of about US$150m.

"Over the coming months we will bring in more strategic investors," said Mr Heath, former chief executive of Barings Securities. He said increased capital would allow the bank to broaden its activities and pursue expansion in the region.

"Asia is where the rewards are likely to be greatest," said Mr Rupert Pennant-Rea, non-executive chairman. He added that Caspian was close to making an acquisition as part of its expansion.

At present, the company has just under 50 employees in the region, out of total staff of more than 280. The target is to reach between 100 and 120 in Asia, with about 40 in Hong Kong by the end of 1997.

Caspian said it had extended its activities from securities broking to corporate finance and is now preparing to move into asset management. In Hong Kong, the company recently received a full dealing licence and is a member of the stock exchange. It has operations in Kuala Lumpur, Bangkok, Delhi and Mumbai, and is planning offices in Manila and Jakarta.

Despite consolidation in the sector in Asia, which has seen several independent investment banks acquired by larger groups, Mr Heath was optimistic about Caspian's prospects, citing its focus on emerging markets and a strong response from fund managers to its research, which is delivered electronically.

Rupert Pennant-Rea (left) and Christopher Heath: Caspian poised to make first acquisition

Matsushita plans write-off as profits rise

By Bethan Hutton in Tokyo

Matsushita, the Japanese consumer electronics group, announced improved third-quarter results yesterday, but said it planned to write off a Y100bn ($115.6m) loan to a finance subsidiary.

Matsushita said the improvement was mainly the result of cost-cutting and efficiency measures, together with a better economic climate and a weaker yen.

Group operating profit for the three months to December 31 rose 52 per cent, to Y119.7bn, while net income grew 35 per cent, to Y45.3bn. Group sales increased 11 per cent, to Y2,032.4bn.

Consolidated sales for the first three quarters rose 12 per cent from a year earlier, to Y5,636.8bn, and consolidated operating profit grew 47 per cent, to Y250.1bn. Pretax income for the nine months was Y222.3bn, compared with a loss of Y10.9bn, and net income was Y88bn, against a loss of Y99.3bn.

The previous year's losses were due to a Y164.2bn extraordinary loss on the sale of the MCA film and entertainment business in the US.

The planned loan write-off is the product of Matsushita's move into the property finance business during the Japanese bubble period of the late 1980s and early 1990s. The Y100bn loan was made to NL Finance, a wholly owned subsidiary of Matsushita Electric Industrial, set up to collect loans to property developers made by National Leasing, another Matsushita subsidiary.

Matsushita has accepted that it is unlikely to collect most of the loans. The Y100bn loan will be written off in the parent-company accounts for the year to March 31.

Matsushita said yesterday that profit figures would be unaffected, as it plans to sell part of its share portfolio to offset the extraordinary loss. Matsushita lifted its full-year net profit forecast to Y120bn, a 12 per cent increase on the previous year.

ASIA-PACIFIC NEWS DIGEST

Chinese power issue bolstered

Prospects have been bolstered for the public offering of Beijing Datang Power Generation, the Chinese power group, which intends to list its shares on the Hong Kong and London stock markets in an issue that could raise more than HK$2.5bn ($323m). New World Infrastructure, one of Hong Kong's biggest infrastructure groups, has said it will take a 9.9 per cent stake in the enlarged share capital of Beijing Datang immediately after the share issue. "This acquisition is a strategic move for NWI to position itself as one of the leading Hong Kong investors in the Chinese power industry," said Mr Douglas Chan, NWI's managing director.

Banking sources expected Beijing Datang to issue about 1.2bn shares priced at about HK$2.20. With strong demand, they predicted the issue could be increased by up to 15 per cent. *John Ridding, Hong Kong*

Korean Air tumbles into red

Korean Air, South Korea's biggest airline, reported a net loss of Won210bn ($243m) for 1996 because of foreign exchange losses and rising fuel costs. Sales, on the other hand, rose 8 per cent to Won3,670bn. The loss was less than expected and the share price for Korean Air rose yesterday Won300 to close at Won14,800.

Earnings for Korean Air are vulnerable to a strong dollar because of the company's large holdings of dollar-denominated debt. A weak dollar in 1995 had produced a profit of Won105.9bn. Korean Air also suffered from a 30 per cent increase in fuel costs, which accounts for 16 per cent of operating costs.

Analysts predict that Korean Air will return to profitability in 1997 with earnings of around Won65bn. This reflects falling fuel prices, an increase in overseas travel by Koreans, and a rise in fares. *John Burton, Seoul*

First Shanghai to build assets

First Shanghai Investments, a mainland-backed company based in Hong Kong, is in talks to acquire assets from its largest shareholder. It is considering raising funds through a share placement. Like other mainland-backed companies, First Shanghai's share price has risen sharply over the past year. Its shares closed yesterday at HK$0.82, down from Monday's close of HK$0.85, but more than double the HK$0.40 of the beginning of 1996.

First Shanghai declined to specify the assets it might acquire, and said that no binding agreements had been reached so far. The company is engaged in securities investment, general insurance and direct investments. Its controlling shareholder is International Enterprises Investment, a joint venture between a Hong Kong and a Chinese company, First Shanghai said. IEI holds 36 per cent. *John Ridding*

ICI Australia closes plant

ICI Australia, controlled by the UK chemicals group but listed separately on the Australian Stock Exchange, is to close its remaining plasticiser manufacturing operations at Rhodes in New South Wales. The two remaining plants make phthalic anhydride and plasticisers which are used in the paint, cabling, textile and car industries. They have annual sales of around A$50m-A$70m (US$39m-US$55m). *Nikki Tait, Sydney*

ASX posts operating surplus

Australian Stock Exchange, which is looking to demutualise and become a shareholder-owned company, yesterday announced an operating surplus of A$11.5m (US$9m) in the six months to end-December. Equities turnover topped A$100bn – a record level and 38 per cent higher than in the first half of 1995-96. Trading averaged 19,499 transactions a day, and domestic market capitalisation was A$393bn at the end of 1996. *Nikki Tait*

COMPANIES AND FINANCE: THE AMERICAS

AT&T unveils 'fixed wireless' system

By Richard Waters in New York

AT&T yesterday opened a new front in its planned attack on the US's $100bn local telephony markets as it unveiled a wireless technology that would allow it to by-pass the US's axisting local telephone networks.

The so-called "fixed wireless" system will not become a reality for some time, however, bringing the prospect of further delays in the outbreak of full competition in the US telephone industry.

The groundwork for scrapping the barriars batween local and long-distance companies was laid by the country's Telecommunications Act more than a year ago. But technology delays, regulatory wrangling and lawsuits have held up tha arrival of competition.

Many of the problems have centred on the arrangements for connections between the country's existing long-distance networks, such as those run by AT&T, and the local networks of the so-callad Baby Bell companies.

By building its own fixed wireless system, AT&T said yesterday, it would be able to by-pass the local companies altogether. It also claimed that the technological breakthroughs it had made would enable it to carry far higher volumes of data than is possible through existing copper wires, and to make video-conferencing and high-speed Internet access more widely available.

Mr John Walter, AT&T's president, declined yesterday to lay out a timetable for the new service's availability. A full-scale test would begin in Chicago befors ths end of this year, he said, and only than would AT&T decide whether the system made technological and economic sense, he said.

A fixed wireless system works by sending calls from a transmitter attached to the outside of a home or business to a local way-station, which then relays them to the company's existing network.

AT&T said it had made two technological breakthroughs to make the service possible: the compression of greater volumes of information into the narrow, 10 MHz bands of the radio spectrum it owns, and the discovery of a means of using the same part of the radio spectrum for multiple signals at the same time.

AT&T refused to reveal the cost of the new system, but said it would be less than the $1,200 per home that analysts reckon a wired connection now costs.

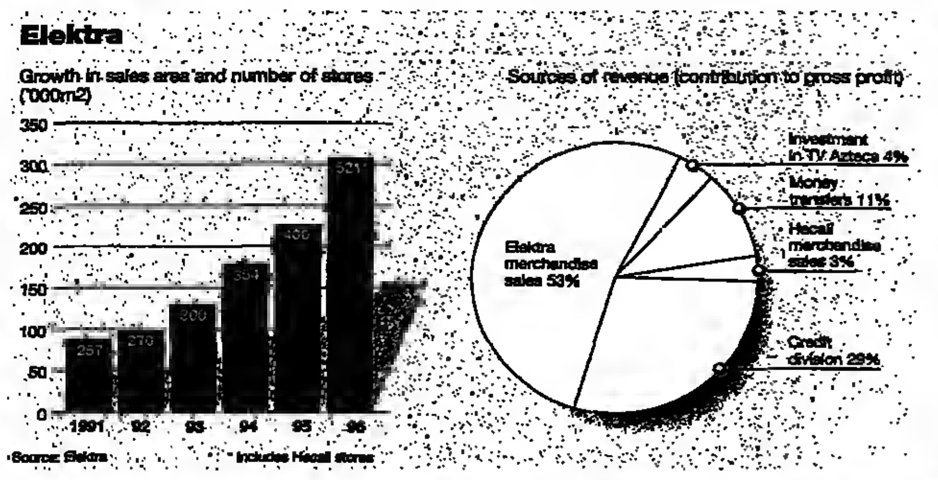
Customers would be able to use their existing telephones and wiring. The only difference would be a transmitter, the size of a pizza box, fixed to the outside of their homes.

Elektra gets close to its customers

A thriving Mexican retailer has bucked the trend, reports Francis McDermot

Most of Mexico's retailers have struggled since the peso devaluation in December 1994. Not so Elektra: in the past two years its television and electrical appliance stores have increased from 354 to 458 and selling space has grown by 70 per cent.

It has also signed a lucrative deal with Western Union to enter the money-transfer business, taken a stake in the up-and-coming TV company Azteca and acquired Hecali, a chain of 55 clothes shops. Recently it announced healthy after-tax profits of $77.3m for 1996, up 58 per cent on 1995.



Elektra eschews the glitzy new middle-class shopping centres of the big metropolises and concentrates on selling to the 87m Mexicans who earn less than $500 a month. To reach them, it locates its stores near their homes in towns all over Mexico.

It offers an extensive fixed instalment credit scheme to help buyers: since stores and customers are close together, credit assessments can be made at home, weekly payments can be made in-store and defaults can be investigated on the ground.

The credit scheme not only differentiates Elektra from its rivals but also generates income: $66m in 1996.

The key to the operation of the business is continuing investment in satellite communications that link the stores to the five regional warehouses, and allow directors in Mexico City instant access to sales data, stock levels and the status of the 890,000 credit accounts.

To maximise this investment and capitalise on an unrivalled store network, Elektra agreed in Jannary 1996 to represent Western Union Financial Services in Mexico for an initial period of 10 years. Under the deal, money wired in the US is available 15 minntes later in Elektra stores. With total US-Mexican transfers running at an estimated $6bn a year – mostly remittances by migrant workers to their families – the market is substantial.

Elektra expects revenues from the business to reach $50m in 2000, when Western Union will start paying a full 7 per cent commission. Elektra also expects a gradual increase in earnings from its Dinero Expresso service, which is challenging for a share of Mexico's internal money-transfer business.

To promote its services and stores, Elektra has a long-term advertising contract with the fast-growing Television Azteca. The success of the campaign is such that the company claims a 90 per cent "mind awareness" in its target customer gronp. Although Elektra's recent $108m investment in Azteca might have seemed a good way of consolidating a promising business relationship, for some of Elektra's shareholders the arrangement is a little too neat: both companies are controlled by the Salinas Pliego family.

But shareholders can have few complaints about the way Elektra's credit division has performed at a time whan the banks are still suffering the effects of some gung-bo consumer lending in the years before the peso crisis.

Although the average term of Elektra's loans has increased from 31 to 42 weeks, total losses have consistently been kept to less than 3 per cent of the portfolio, proving the company's contention that the poor, who cannot get credit elsewhere, are good payers. The portfolio is now worth $217m.

With the 1996 figures showing a 19.4 per cent increase in same-store sales over last year, Elektra is bullisb about the futnre. In 1997 it plans to continoe diversifying its sources of income without abandoning its target customer groups.

Over 30 electrical goods stores will be opened in El Salvador – where Azteca has bought into a newly-privatised TV channel – and in Guatemala.

A rapid expansion of the Hecali clothes chain will allow the company to bite into Mexico's $5bn clothes market.

Plans to expand the network of Elektra stores at the rate of 65 a year until 2000 will not only provide retail sales growth but also widen the platform on which the money transfer business operates.

Meanwhile, under a new agreement with the US retail chain Circuit City the 23m Mexicans living in the US will be able to buy goods in Circuit City stores for delivery in Mexico.

Ahmsa up sharply on financial cost cuts

By Leslie Crawford in Mexico City

Altos Hornos de Mexico (Ahmsa), Mexico's biggest steel maker, yesterday reported a 467 per cent increase in net income to 3.66bn pesos ($472m) in the year ending December 1996, compared with a 646m peso profit in 1995.

The results reflect Ahmsa's lower financial costs as well as Mexico's economic recovery, which helped the steel maker increase domestic sales from 1.22m tonnes in 1995 to 1.67m tonnes in 1996. Steel exports also rose 3 per cent last year, to 1.17m tonnes.

The company's sales revenue for 1996 totalled 11.08bn pesos, up 11.5 per cent from the 9.94bn pesos registered in 1995. However, operating margins declined from 20.5 per cent in 1995 to 17.2 per cent in 1996 because of lower international prices for steel prodncts and higher prodnction costs, the company said.

Ahmsa said the modernisation of its blast furnaces and oxygen plants in 1997 wonld enable the company to cnt energy costs.

Mr Abel Ayala, a financial director at Ahmsa, said the restructuring of the company's $1.4bn debt had significantly lowered debt-servicing costs in 1996, allowing it to post a net financial gain of 1.31bn pesos, after a net financial cost of 1.27bn pesos in 1995.

Moch of the company's expensive sbort-term debt bad been replaced with longer-term debt, Mr Ayala said. The appreciation of the Mexican peso against the dollar also belped results.

In addition, Ahmsa posted a ooe-off accounting gain of $54m after being allowed to settle early – and at a discount – $202m of debt owed to the federal government.

Wal-Mart earnings recover to $1.1bn

By Richard Tomkins in New York

Wal-Mart Stores, the world's biggest retailer, yesterday opened the quarterly reporting season for US store groups by reporting a 16 per cent increase in net profits to $1.09bn for the fourth quarter, ending January 31.

Earnings per share of 48 cents, up from 41 cents, were slightly better than the 47 cents predicted by Wall Street analysts, and the shares jumped $1¼ – or nearly 5 per cent – to $25¾ in early trading.

However, tbe profit increase represented little more than a recovery from tbe comparable period's depressed result, when Wal-Mart's profits tumbled 9 per cent to $942m.

A year before that, in the quarter to January 1995, the company made net profits of $1.03bn.

Mr Mark Husson, of J.P. Morgan Securities, said: "To be bonest, the stock wasn't looking expensive, and 48 cents looked like an upside surprise.

"And when something as big as Wal-Mart has an upside surprise, people tend to get a bit carried away initially."

Wal-Mart's quarterly results coincided with figures from Home Depot, another big US retailer, sbowing a 35 per cent increase in net profits to $251m, or 52 cents a share, in the fourth quarter, sharply higher than the forecast 49 cents a share.

Togetber, the results brought some cheer to the US retail sector, whicb had been expected to produce unexciting results after a Christmas holiday selling season made five days sborter than the previous year's by the way the calendar fell.

Wal-Mart and Home Depot both benefited from big store-opening programmes during the year: Wal-Mart, for example, opened 57 new discount stores and replaced another 92 with 105 Supercenters, which sell groceries as well as other goods.

Wal-Mart's sales rose 12 per cent to $30.9bn in the fourth quarter. For the full year, it increased profits 12 per cent to a record $3.06bn.

Home Depot increased fourth-quarter sales 32 per cent to $5bn, while full-year oet profits rose 28 per cent to $938m.

AMERICAS NEWS DIGEST

Iona Technologies in Nasdaq launch

Iona Technologies, the Dublin-based software company, was launched yesterday on Nasdaq, the US over-the-counter electronic exchange for smaller companies, with the American depositary shares opening at $23, compared with the strike price of $18.

The $130m issue, representing 41.8 per cent of the issued share capital, is being lead-managed by Lehman Brothers, the US bank, and is one of the larger recent initial public offerings on Nasdaq. The deal values the company at $317m. The issue, which was more than 10 times oversubscribed, was successfully placed with institutions, with US technology funds taking about 70 per cent of the stock. As part of the issue, Sun Microsystems, the American technology company, is selling its entire 26 per cent stake in Iona. *John Murray Brown, Dublin*

Gandalf seeks partner

Gandalf, an Ottowa-based computer network equipment maker that has reported three successive quarters of losses, is looking for a strategic partner or may consider outright sale of control. Gandalf has hired RBC Dominion Securities and J. P. Morgan Securities to help it study all options. RBC will handle a forthcoming convertible debenture issue to replenish cash resources.

Gandalf shares were C$3.70 in early trading yesterday against last May's peak of C$26.30. Market capitalisation has dropped from nearly C$1bn to below C$200m. Losses have grown as Gandalf struggled with a new distribution system for its remote access products. It claims superior technology but says it needs a strong international partner to help market its products. For the nine months ended December 28 Gandalf posted a loss of US$27.5m. "At the right price, Gandalf could be a good buy for its technology – the Americans can do the marketing much better," said Mr David Beck, analyst with TD Securities in Toronto. *Robert Gibbens, Montreal*

Loblaw climbs 18%

Loblaw, Canada's biggest food distributor, continued to gain national market share in 1996, while earnings rose 18 per cent from C$146.7m, or 60 cents a share, to C$173.7m (US$127.55m), or 72 cents, on sales little changed at C$9.85bn. A US subsidiary was sold in mid-1995. Fourth-quarter profit was C$59.9m against C$49.3m. Sales were C$2.4bn, up 7 per cent. "Results should continue to improve at the same tempo in 1997," said Mr Galen Weston, chairman. *Robert Gibbens*

Colombian carrier offers stake

Colombia's second-largest airline, Aerolineas Centrales de Colombia (ACES), is to sell a 30 per cent stake in its operations, Mr Juan Emilio Posada, chairman, said yesterday. The decision is part of a strategy to modernise and expand the airline, which flies domestic and international routes.

Existing shareholders will inject about $10m into the company before selling the stake and floating the airline on the stock exchange, Mr Posada said. "This process reflects our intention to prepare the company for a stock flotation," he added. The company is already in the process of overhauling its fleet and bas placed orders for eight Airbus Industrie A320 aircraft which will be introduced in pairs from November to replace the Boeing BA.N B-737s that it currently uses. *Reuter, Bogota*

Yahoo! reports Web growth

Senior executives of Yahoo!, the leading Internet navigation and media company, said the company was experiencing continued strong growth in Web traffic so far this year. In December, Yahoo! said, it was averaging 20m page-views a day, three times the figure achieved by its principal rivals. This compares with 15m a day in September and four million in December 1995. Mr Gary Valenzuela, Yahoo! senior vice-president of finance and chief financial officer, told investors that despite the possibility of seasonal sluggishness in the advertising market early in the year, 1997 revenues should jump year-on-year. *Reuter, San Francisco*

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price	Pool selling price	
0030	11.86	15.32	15.32
0100	11.86	18.75	19.88
0130	12.70	18.75	19.98
0200	12.70	18.75	19.95
0230	12.70	36.05	37.28
0300	12.70	43.27	44.43
0330	12.70	43.27	44.48
0400	11.86	43.27	44.48
0430	11.86	12.02	12.02
0500	11.86	12.01	12.01
0530	11.86	13.01	14.22
0600	11.86	13.01	14.22
0630	11.86	13.01	14.52
0700	11.97	26.13	27.34
0730	21.65	36.16	37.38
0800	22.22	36.17	37.38
0830	23.35	39.72	40.94
0900	26.13	39.74	40.97
0930	26.13	39.75	40.98
1000	26.13	39.76	40.99
1030	26.13	39.74	40.97
1100	34.82	39.74	40.97
1130	34.82	39.74	40.97
1200	28.63	39.73	40.96
1230	28.63	39.72	40.94
1300	28.63	39.18	40.30
1330	24.27	34.71	35.92
1400	24.27	34.70	35.91
1430	24.27	34.23	35.44
1500	24.27	34.23	35.44
1530	24.27	32.45	33.66
1600	24.27	34.24	35.45
1630	24.27	34.82	36.03
1700	34.82	56.06	58.50
1730	34.85	64.66	67.20
1800	41.28	68.63	69.65
1830	34.71	52.11	53.32
1900	34.85	51.75	53.24
1930	34.54	42.34	43.56
2000	44.66	41.26	42.47
2030	35.13	41.21	42.42
2100	28.00	37.80	39.01
2130	28.00	35.18	36.39
2200	22.23	35.18	36.39
2230	12.06	26.12	27.33
2300	12.08	20.49	21.70
2330	11.85	13.00	13.00
2400	11.70	11.68	11.68

COMPANIES AND FINANCE: THE AMERICAS

Murdoch empire strikes back in US TV

The merger of ASkyB with EchoStar will provide News Corp with a strong armoury in its battle with the cable industry

Executives at News Corporation, the media group headed by Mr Rupert Murdoch, reached for movie industry hyperbole to try to do justice to the significance of the merger of its satellite television venture ASkyB with EchoStar, announced on Monday.

It would unleash "a cosmic armada unmatched since the empire struck back", Mr Preston Padden, ASkyB chairman, told the 250 analysts and investors gathered at a conference on the outlook for News Corp, held in a vast sound stage at the company's 20th Century Fox studios in Los Angeles.

The previous evening, the analysts had been treated to a special screening of the reworked version of *The Empire Strikes Back*, which is now earning yet more dollars for News Corp in cinemas across the US.

The EchoStar deal will mean that at least 500 television channels will be available on 18-inch satellite dishes all over the US, and the battle with the cable industry will reach almost space wars proportions.

"We can put the dream of the electronic super highway on every square inch of the roof tops of the United States within the next 18 months," said Mr Padden.

Even discounting the hyperbole, the deal – negotiated in only a week between Mr Murdoch and Mr Charlie Ergen, founder of the Denver-based EchoStar – will have a profound impact on the multi-channel television market in the US.

Althongh Mr Ergen started selling enormous $10,000 satellite systems in Denver as long ago as 1980, it is only in the past year that EchoStar has come to national attention.

In less than a year, EchoStar has attracted more than 430,000 subscribers to its 200-channel system. Although small compared with DirecTV, the pioneer of direct broadcasting by satellite (DBS), which has more than 2.3m subscribers, EchoStar has been the fastest-growing satellite broadcaster.

EchoStar has two satellites already up and broadcasting and a third due for launch this autumn. But its main asset is its right to use 91 scarce DBS frequencies, each of which can be turned into many television channels – far more than any other broadcaster.

Yet the company was still in a loss-making start-up phase, and limited in how fast it could expand.

By contrast ASkyB bad the full weight of the Murdoch empire behind it, together with the backing of MCI, the telecommunications group that will now own 10 per cent of the enlarged EchoStar. But ASkyB had been late coming to market and bad been forced to pay more thao $600m at auction for only 28 DBS frequencies.

Until this week's deal, Mr Murdoch, who planned to launch ASkyB at the end of this year, would have been fifth into the DBS market in the US – not just behind DirecTV and EchoStar, but also bebind USSB, which uses the direct satellite TV system and Primestar, a satellite service owned by leading cable companies and seeo as a defensive venture.

However, the target for the enlarged EchoStar is not tbe other satellite companies. "The competition is with cable. We are aiming for the big cable market – the 64m cable homes not tbe 2m DirecTV homes," Mr Murdoch warned.

A key weapon in the battle will be the provision of local TV stations by satellite. Cable companies are able to lock in local subscribers because they supply all tbe local off-air stations as part of the basic cable package.

The buge capacity of the new EchoStar system, which will use a total of seven satellites, means that it will be able to re-transmit local TV stations with high-quality digital pictures to 75 per cent to 80 per cent of all US housebolds. Sucb a proportion cannot be reached, however, until the launch of a sophisticated new satellite in October 1998.

News Corp's 22 Fox television stations will go up on tbe satellite service, which will be marketed under the brand name of Sky.

Asked what would bappen if other stations did not agree, or asked to be paid for satellite retransmission, Mr Murdoch replied: "They can stay on the ground."

Apart from local TV and local sports, the 500-channel system will devote at least 60 channels to top movies and all the main thematic channels, as well as providing information and other interactive services.

The plan is to push down the cost to customers of the receiving equipment as rapidly as possible, and to have a heavy marketing campaign for Sky in the US in about a year's time.

Mr Murdoch believes within two to three years the price of a bigb-quality receiver will fall by $100 from the curreot $260 to $270.

News Corp, which is putting $1bn in cash, satellites and other assets into the EchoStar deal for a 50 per cent stake, believes the project will need less than $500m cash to take it to break-even in 1999. By 2002 Sky should be generating $1bn a year.

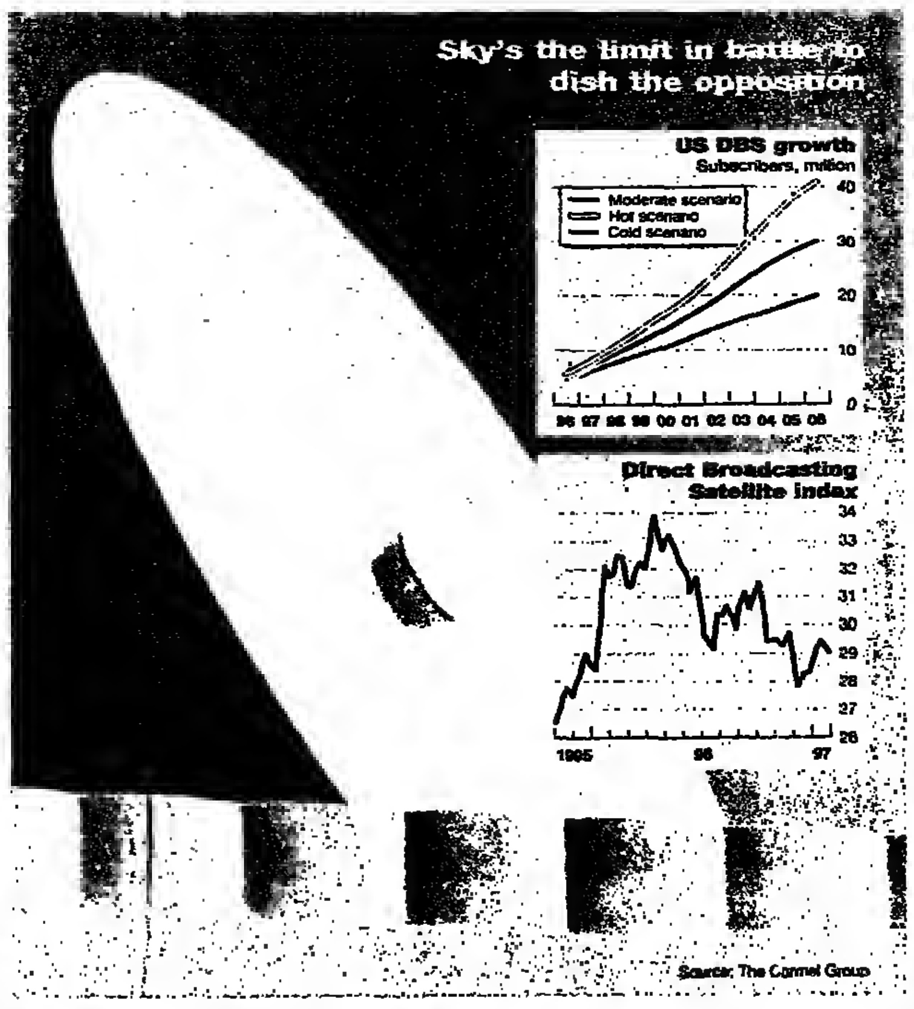
On "highly conservative" estimates Mr Padden says that by 2001 there should be 21m satellite subscribers in the US, of which EchoStar-Sky should have 8m.

"This is the most exciting and most potentially profitable enterprise now on the News Corp drawing board," said Mr Padden, wbo will be co-ordinating all News Corp's satellite television ventures around the world.

The digital satellite plans now represent the most important part of News Corp's strategy. Apart from that, "I don't see any major play or purchase," Mr Murdocb said.

The analysts went off to mark up the shares of News Corp, and mark down tbe stock of the cable companies.

Raymond Snoddy



Alcoa to acquire most of Inespal

By David White in Madrid

Alcoa of the US is set to take over almost all tbe operations of Spain's state-owned aluminium group Inespal by the end of the year, under a letter of inteot signed yesterday witb Sepi, the Spanisb government bolding company.

No figure was given for tbe deal, which resolves Spain's long searcb for a new owner for its main aluminium complex. Sepi said time had been allowed for dne diligence work to be carried out, and for the US group to draw up a business plan for the Spanisb unit.

The deal follows extensive contacts with Alcoa and the Canadian Alcan gronp. Talks stalled, bowever, with both multinational gronps initially interested in a minority participation while the Spanisb anthorities were anxious to transfer majority control.

Alcoa is expected to take over all the main facilities of fnespal, including the modern San Ciprián smelter complex on Spain's north-west coast, with the possible exception of its Inespal Conversión snbsidiary at Linares in Andalucia.

fnespal, whicb employs 4,700 people, was launched in the mid-1980s, grouping assets previously beld by Alcan, the state and France's Pecbiney gronp. Alcan initially kept a stake but sold it after disagreement over a five-year modernisation plan.

This month the state holding company appointed a new chairman at Inespal. Mr Leandro Guillén, a former managing director of two subsidiaries, replaced Mr Javier Alvarez Vara, who was given the job a little more than three years ago under Spain's former Socialist administration.

Net profits are believed to have been halved last year to about Pta4.5bn ($31.8m), from Pta10.2bn in 1995, on sales down from Pta149.7bn to abont Pta145bn.

Canadian banks lifted by strong investment growth

By Bernard Simon in Toronto

Bank of Montreal and Bank of Nova Scotia kicked off the Canadian banks' reporting season yesterday with higher first-quarter earnings.

Both banks ascribed the improvement mainly to strong growth in investment banking operations, offset partly by sharply higher costs.

They also pointed to accelerating growth in the Canadian economy, with buoyant demand for residential mortgages and shrinking non-performing loan portfolios.

BMO's net earnings grew to C$322m (US$236m), or C$1.16 a share, in the three months to January 31, from C$296m, or C$1.04, a year earlier.

Retnrn on equity was unchanged at 17.7 per cent. But return on assets dropped from 0.78 per cent to 0.7 per cent, despite a 62 per cent jump in residential mortgage approvals. Non-interest expeoses climbed 15.8 per cent, owing partly to investments in telepbone and electronic banking services.

Assets have grown 24 per cent over the past year to C$185.9bn.

Foreign operations contributed C$145m, or 45.1 per cent, of first-quarter earnings, including C$16m from BMO's minority stake in Mexico's Grupo Financiero Bancomer, acquired last year.

BNS, the most internationally diverse Canadian bank, lifted net income to a record C$297m, or C$1.14 a share, from C$249m, or 95 cents, a year earlier.

Return on equity improved to 16.5 per cent from 15.2 per cent. Return on assets rose from 0.66 per cent to 0.70 per cent. Assets stood at C$168.7bn at January 31, up 9.6 per cent.

Non-interest income rose 19 per cent to C$621m, partly reflecting a C$79m gain from the sale of securities as "the bank took advantage of buoyant equity markets".

Operations outside Canada contributed 52 per cent of the latest period's earnings, witb strong contributions from US corporate business and retail branches in the Caribbean, where BNS is one of the biggest foreign banks.

A 21 per cent rise in non-interest expenses was ascribed to technology investments, higher staffing levels, and performance-linked compensation in the capital markets division.

BNS reduced its annual loan-loss provision by 6.6 per cent to C$355m. Losses charged to first-quarter income fell C$6m to C$89m.

BMO shares were 50 cents higher at C$49.50 early yesterday afternoon in Toronto. BNS shares also gained 50 cents to C$52.15.

Bank shares have been among the strongest performers on the Toronto stock exchange in the past year, far exceeding analysts' forecasts.

Heron plans European network

By Andrew Taylor, Construction Correspondent

Heron International, the property company run by Mr Gerald Ronson which was rescued in 1995 by a US investor group, is to develop a network of "branded" multiplex cinemas and leisure centres in continental Europe.

The company yesterday announced an initial £135m ($218.7m) programme of five developments in Spain and France.

The first of these will be in Madrid where Heron will shortly start work on a £35m project comprising a multiplex cinema, six restaurants, indoor bowling, bingo hall, family entertainment complex and shopping.

A 200,000 sq ft factory outlet centre would be built on an adjacent site under the contract awarded by Arpegio, the Madrid land authority.

Mr Ronson said yesterday: "We believe the UK leisure market is showing signs of saturation and made an active decision last year to focus on the major leisure activities that we know exist in the [continental] European market."

Heron estimated that there were about 40 multiplex cinemas and leisure centres in the UK compared with only three in Spain, none in Germany and very few in France.

The Madrid scheme, due to be completed by the end of next year, would form part of a network of European leisure developments.

Two schemes in Paris and two in northern France, each costing about £25m, are also planned with work on the first French scheme expected to start this year.

Heron expects work to start on the other French schemes next year. Finance for the projects would be provided by Heron's "powerful group of shareholders" said Mr Ronson.

He said: "We intend to build up the Heron International leisure division as a series of branded parks across Europe, working with the highest quality operators. There are a wealth of opportunities on the continent that Heron will actively continue to pursue in France and Spain and other mainland European countries."

Heron last year announced a £100m development programme to build office, retail and residential accommodation in London, Madrid and Barcelona.

More recently it announced a £200m programme to build 2,000 homes and 2.5m sq ft of industrial and commercial space in Wales over the next seven years.

Bookshop first to float on Internet

By Stephen McGookin

An Oxford-based bookseller plans to become the first UK company to offer its shares via the Internet.

The Internet Bookshop is the second-biggest online bookshop on the Net and – as bookshop.co.uk PLC – is seeking to raise £1m ($1.62m) through a placing.

The company, following the example of the successful Amazon virtual bookshop in the US, takes orders for books over the Net, paid by credit card. It offers a catalogue of around 850,000 titles in a searchable database.

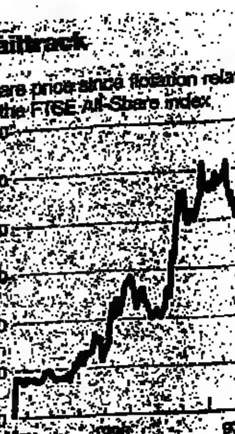
An offer for subscription will open in the first week of March for two weeks. The shares will be available to UK and European investors and potential buyers will be able to download the company's prospectus and an application form from its home page, *www.bookshop.co.uk*. Shaw and Co are brokers to the issue.

Successful shareholders will get a 10 per cent discount on subsequent book orders.

The company, set up by computer consultant Mr Darryl Mattocks in 1992, wants to use part of the money to develop its computer systems and for a marketing drive. It plans to obtain a trading facility on Ofex, the private environment for small, unquoted companies.

LEX COMMENT

Underground



Enthusiastic as he is to privatise London's Underground, Sir George Young, transport secretary, is not sure how it should be done. Yet to choose between his three options, he needs merely to glance at Railtrack's vertiginous share price chart. Why? Because it demonstrates the frightening discount investors initially apply to businesses they do not understand. And now the market has finally got to grips with the Railtrack structure, there is a powerful argument for repeating it on the Tube. That way, tha taxpayer would get a better deal – not just because investors would have easy comparators, but also because there would be plenty of potential bidders, at least for running trains, among existing rail franchisees.

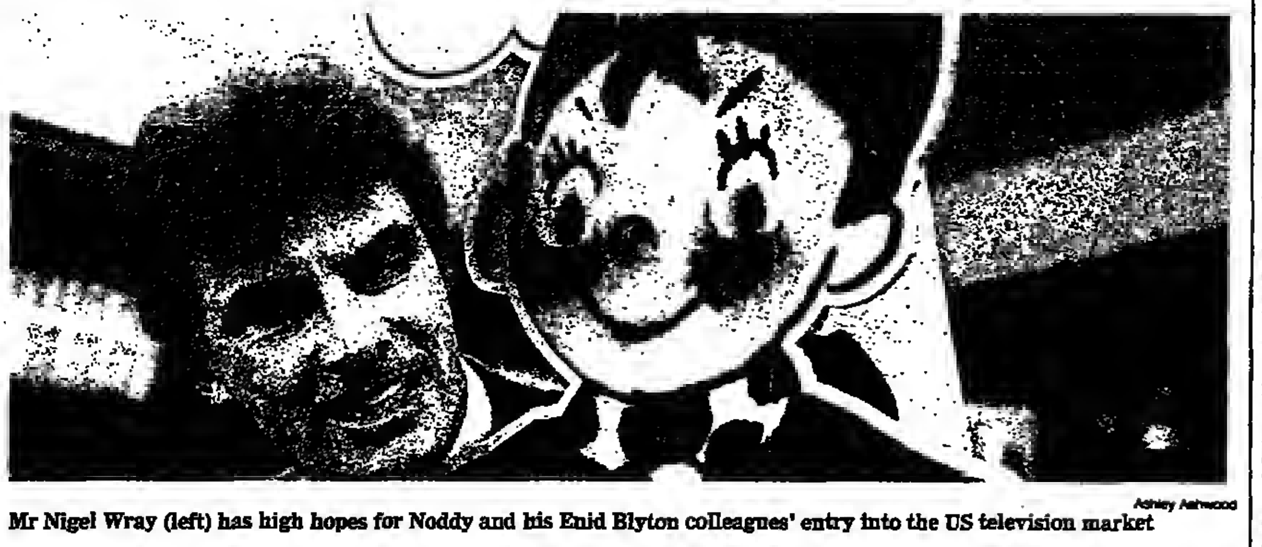
Ah yes, say Tube traditionalists, but surely it makes more sense to put the two main jobs – running infrastructure and trains – in the same hands? Not really. The tasks are very different. One requires heavy capital investment and long time horizons. The other requires neither – and can therefore benefit from frequent competition to keep operators on their toes.

Some, of course, will dismiss such arguments as academic. The Labour party may soon be in power and Sir George's plans will be gathering dust. Or maybe not. The Tories, after all, believe in privatisation accompanied by public subsidy and regulation. Labour believes in public-private partnership.

In practice, it could take a sharp-eyed trainspotter to identify the difference.

Segaworld faces Noddy challenge

By Scheherazade Daneshkhu



Ashley Ashwood

Mr Nigel Wray (left) has high hopes for Noddy and his Enid Blyton colleagues' entry into the US television market

Trocadero, the leisure company, yesterday blamed Sega, the Japanese games group and joint venture partner in the £50m ($81m) Segaworld, for the central London interactive theme park's disappointing performance.

Segaworld has attracted fewer visitors than expected since opening last September.

Profits at Enid Blyton, the company with rights to the children's books characters, bought last February for £14.7m, have doubled since acquisiton to £650,000. Mr Nigel Wray, chairman of Trocadero, expected a substantial increase in Blyton's profits next year and was in advanced discussions with US companies to break into the North American television market.

Mr Wray said the main problems at Segaworld had been rectified by a change in management and lowering the admission price from £12 to £2.

Indications were that there would be 1.1m visitors a year spending an average of £8.50 per head – below initial hopes of 1.7m visitors in the first year spending £15 a head.

Trocadero, which demerged from its parent Burford, the property company, in November 1995, owns the Trocadero Centre, the retail and entertainment centre in Piccadilly, London. It reported a fall in pre-tax profits from £1.8m to £1.2m in 1996. Turnover rose by 19 per cent to £10.7m including a £1.8m first time contribution from Enid Blyton.

The group said comparisons with 1995 were not valid as in the first half of that year the Trocadero was still owned by Burford.

Segaworld made losses of £122,000 in the year to December 31 after £210,000 of start-up costs. A further £632,000 of costs will be written off against 1997 profits.

Meyer buys Prestige brand

By David Blackwell

Prestige, the quintessentially British maker of pots, pans and potato peelers, has been bought from the receivers by a private company based in Hong Kong.

Meyer International Holdings has acquired only the intellectual properties of the Prestige brand, which is used in 90 per cent of the UK's kitchens. The rambling Burnley factory, where string is wound round potato peeler handles and Ewbank carpet sweepers are assembled by hand, remains in the hands of the receiver.

No price was revealed yesterday, but it is likely to be much less than the £15m ($24.3m) paid for the whole group by a management buy-in team just under two years ago. The team, financed by Apax Partners, bought the business from Gallaher, the UK tobacco group owned by American Brands.

Early last month the Prestige parent company, part owned by Apax, called the receivers into the UK arm, which owed it about £4m. Apax said yesterday that it still owned, together with the management, the overseas part of the company which has factories in Spain and Australia.

Meyer, which has 3,000 employees, claims to be one of the world's leading cookware manufacturers, churning out up to 70,000 pans a day from factories in America, Thailand, Hong Kong and China. It plans to relaunch the Prestige brand in the UK in the autumn.

A sales and marketing team to handle the Prestige brand will be set up at Meyer's UK operations on Merseyside. The products will be made outside the UK – possibly in Italy, where a new factory is due to open this year.

Last month Mr Crawford Gray, chief executive of the parent company, said it was extremely difficult for UK manufacturers to compete in kitchen tools and gadgets, with Chinese companies in particular.

Ferry closure hits Mersey Docks

By Richard Wolffe

Mersey Docks and Harbour, the ports and cargo handling group, yesterday pledged to spend £48m ($77.76m) on expanding its operations in Medway and Liverpool after record cargo levels last year.

But the growth in volumes failed to offset £9.1m costs from trading losses and the closure of Eurolink Ferries. Mersey Docks shut both the passenger and freight service between Kent and the Netherlands last year because of cross-Channel ferry competition.

Eurolink's costs contributed to a 7 per cent decline in pre-tax profits in the year to December from £31.7m to £29.7m, on sales up 8 per cent to £149.7m (£138m).

The group also suffered £800,000 costs from the continuing industrial dispute with 329 dockers. Mr Gordon Waddell, chairman, said there was no prospect of a rapid end to the dispute.

Mersey Docks said cargo levels at Liverpool rose from 29.8m to 30.7m tonnes, lifted by a 50 per cent rise in productivity among the new workforce. Higher volumes of fresh produce, cars and forest products helped to lift cargo levels at Medway from 2.12m to 2.28m tonnes.

The £48m expansion plans included the development of a £35m deep-water berth and distribution complex in Sheerness, and a river berth at Liverpool.

Strong pound weakens EMI

By Christopher Price

A weak set of new record releases and the strong pound contributed to a 6 per cent decline in nine-month pre-tax profits at EMI Group, the music publisher and retailer which demerged from Thorn in August.

The profit figure of £293.3m ($475m) was struck on sales of £2.56bn, down 5 per cent on a year ago. EMI said that at constant exchange rates, the figures would have been £309.6m and £2.67bn respectively.

In addition, Sir Colin Southgate, chairman, said the fourth quarter was already showing the beoefits of a substantially strooger release schedule, with EMI artists currently occupying the top four slots in the pop album charts. These included the Spice Girls who, having already sold 5.5m albums up to the third quarter, had added a further 1.5m in the current three month period.

"We cannot dictate our release schedule, the creative process does not work like that," Sir Colin said, although with fewer artists to promote there was a decline in marketing costs.

Operating profits at HMV, the group's record retailer, rose 2 per cent to £21.9m on sales 14 per cent higher at £671m. The performance was affected by opening in Germany and the launch of a direct mail business.

GRE 'has £1bn to spend'

By Christopher Adams, Insurance Correspondent

Guardian Royal Exchange, the composite insurance company, yesterday indicated it was prepared to spend up to £1bn ($1.62bn) in cash on a UK acquisition to expand its life and health business.

Mr John Robins, chief executive, said the group was "actively looking" at several possibilities and was confident it would make its move within 12 months.

It might not spend all the cash on buying a life company. The group was also keen to expand its non-life lines in the UK and the US.

Operating profits slid 17 per cent to £281m in 1996, on premium income of £3.73bn. The deterioration had already been flagged and the shares, which closed off 4½p at 283¼p, had earlier risen on better-than-expected results in the UK and German markets.

What Guardian will do with its surplus cash has pre-occupied investors. Big returns from investment in capital markets and strong profits prior to last year lifted its year-end solvency ratio – shareholders' funds to general premiums – to 79 per cent.

It also revealed yesterday that shareholders own £303m of the life fund. But Mr Robins scotched speculation about a share buy-back, describing such suggestions as "inappropriate".

On the possibility of Guardian buying a life assurer, one analyst said: "It's a good idea in theory, but in practice it's a very hard one to fulfil". He noted that several other insurers, as well as banks, were interested in buying life offices, which are valued at a premium to assets.

Pre-tax profits fell £161m to £651m after exceptional charges and smaller investment gains than in 1995.

Guardian said fierce competition in the UK and the worst weather claims in the US for 75 years eroded margins last year. Costs of £39m for restructuring its UK business and integrating a commercial lines operation, were excluded at the operating level. Motor insurance rates, which had tumbled heavily since 1994, have risen 2-3 per cent since July.

Mr Robins stressed the commitment to reducing costs, predicting that an "internal merger" of UK business divisions would help save £28m in annual costs within two years.

Ricardo falls into red

By David Blackwell

Ricardo Group, the automotive engineering consultancy which earlier this month sold its nuclear and aerospace design division, fell £13.7m ($22.19m) into the red in the first half.

The loss, which compares with a pre-tax profit last time of £2.38m, reflects the write-off of £13.7m of goodwill on the disposal. Operating profits from continuing operations fell from £3.22m to £2.84m in the six months to December 31.

The group said the decline in profits from the core automotive engineering business included bigger losses at the US operations, which were being restructured at a cost of £2.5m, to be charged in the second half. The losses had masked profits from UK automotive operations.

Total sales increased from £46m to £52m inclnding £15.5m from the discontinued operations, which contributed profits of £286,000.

Last November the group ousted Mr Christopher Ross as chief executive. Mr Ross is suing for unfair dismissal.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Admiral	Yr to Dec 31	90.8	(65.5)	11.2	(9.83♥)	11.6	(10.7*)	1.54	May 7	1.3*	2.24	1.88*
Alumasc	6 mths to Dec 31	84.9	(84.9)	5.53	(6.75)	10.75†	(12)	2.45	Apr 11	2.45	-	6
Capita	Yr to Dec 31	111.6	(87)	12.3	(9.42)	14.3†	(11.6)	3.2	-	2.6	4.8	3.9
Charterhse Comms Φ	5 mths to Nov 30	2.21	(1.17)	0.356	(0.286)	0.23	(0.14)	-	-	-	-	-
EMI	9 mths to Dec 31★	2,565	(2,689)	326.3♥	(373.3♥)	48.5†	(53.3)	-	-	-	-	-
Guard'n Royal Exch	Yr to Dec 31	3,732§§	(3,776§§)	651	(812)	48.7	(77)	6.6	July 1	5.9	10	9
Jermyn Inv Props	Yr to Dec 31	1.98	(1.07)	1.32	(1.07)	5.84	(5.49)	3.1	Apr 25	2.5	5.5	4.5
Mersey Docks	Yr to Dec 31	149.7	(138)	29.7	(31.7)	22.77	(24.48)	8.75	May 6	7.85	12.75	11.5
MR Group	6 mths to Dec 31	18.6	((18.6))	2.35	(2.17)	3.2	(2.6)	1.2	Apr 6	1.2	-	3.6
NatWest Bank	Yr to Dec 31	7,271#	(7,242#)	1,122♠	(1,753)	23	(67.6)	16.4	May 1	16.9	29	25.3
Polymasc Φ	17 mths to Dec 31	0.117	(-)	1.07L	(-)	7L	(-)	-	-	-	-	-
Ricardo	6 mths to Dec 31	52.1	(46)	13.73L♠	(2.38)	32L	(3.4)	2	May 2	2	-	6.3
Scottish TV	Yr to Dec 31	127.3	(100.5)	61.2♥	(20.2)	65.9†	(27.7)	13.2	May 29	12.25	18.7	16.25
Sema Group	Yr to Dec 31	927	(677.7)	50	(38.9♠)	30.94†	(24.25)	3.7	July 1	3.1	6	5
Shire Pharmaceut'l	6 mths to Dec 31	6.88	(12.1)	0.105L	(4.64)	0.2L	(14.6)	-	-	-	-	-
Sinclair (William)	6 mths to Dec 31	21.9	(16.5)	2.24	(1.76)	8.6	(5.4)	2.1♦	-	1.9	-	6
Trocadero	Yr to Dec 31	10.68	(8.95)	1.23♥	(1.83♠)	0.16†	(0.58)	-	-	-	-	-
Wimpey (George)	Yr to Dec 31	1,262	(1,569)	31.5	(15.6)	5.84	(1.6)	3.5	May 8	3.5	5.5	5.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Asian Smr	8 mths to Jan 31	104.32	(-)	0.123	(-)	0.28	(-)	-	-	-	1.2⁂	
Finsbury Smr Cos	Yr to Dec 31	229.5	(204.7)	0.833	(0.851)	3.7	(3.8)	2.3	Apr 22	2.2	3.6	3.4
Henderson Euro	6 mths to Jan 31	168.1	(141.1)	29.6	(24.6)	0.17	(0.43)	1	Apr 18	1	-	2
NatWest Smr Cos	5 mths to Dec 31	171.88	(137.73)	0.839	(0.904)	1.77	(1.92)	1.125	March 27	1.125	-	3.125
Pacific Assets	Yr to Jan 31	135.47	(146.57)	0.868	(0.375)	0.68†	(0.42)	0.4	May 12	-	0.4	-
Primadona■	6 mths to Dec 31	457.3	(421.4)	0.171	(0.485)	3.8	(10.3)	2.5	March 27	2.5	-	8
Shires Smr Cos	Yr to Dec 31	163.9@	(145.8@)	1.21	(1.22)	6.22	(6.31)	2.025	March 27	1.95	8	5.7
Templeton Latin	Yr to Dec 31	96.73	(84.28)	0.814‡	(0.376‡)	-	(-)	0.85°	May 21	0.35	0.85°	0.35

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. *Equivalent after adjusting for scrip issue. ♦Partly to reduce disparity. ☆ Comparatives pro forma. ★ Pro forma. §§Gross written premiums. #Operating income. ⁂Includes 0.7p special. ■ Comparatives restated. @Diluted. °Includes 0.5p special. ‡Pre-tax.

INFORMATION TECHNOLOGY

What next for semiconductors? · Vanessa Houlder

Long live the revolution

Chips of the future will inevitably be radically different – provided people are willing to pay

Bill Butcher

The semiconductor industry has few rivals when it comes to technological aelf-confidence. The extraordinary achievements of the past three decades – in which the number of transistors that can be squeezed on to a silicon chip has doubled every two years – are widely expected to be equalled or even exceeded in the future.

This perception of the industry's potential was underlined by Andrew Grove, Intel's chief executive, in a recent speech: "I believe that we are only at the beginning of this revolution in progress."

But the widespread conviction that chips will continue to get faster and cheaper is not matched by a clear vision of how this will be achieved. Tha scope for refining existing technology is likely to peter out during the next 20 years.

"After 15 to 20 years, there will have to be radical jumps. Otherwise there will be difficulty in continuing down the Moore curve [the empirical relationship that shows transistor density doubling every two years]," says Stanley Myers, president of Semi, the trade association for the semiconductor equipment and materials industry.

Scientists are working on a number of approaches ranging from molecular biology to nanotechnology. The radical breakthroughs may come from any or none of these. Today's front runners could be leap-frogged by techniques not yet discovered.

One reason there is so little consensus about the future is that forecasters have been badly wrong in the past. Ten years ago many senior figures in the industry believed that advances in optical lithography – the circuit etching technique in which light is shone through a patterned mask on to the surface of a silicon chip – were close to reaching their limit.

They were wrong. More refinements in the equipment have allowed steady progress to the point where International Business Machines and Texas Instruments have created transistors only 0.18 micron (millionths of a metre) across. By comparison, a human hair is about 100 microns across.

Further advances are likely. For example, researchers are using light with smaller and smaller wavelengths – such as extreme ultraviolet light (EUV) – to make ever finer lines.

Experimenting with different light sources and improved equipment will fuel advances in optical lithography until 2010, according to Willem Maris, president of ASM Lithography, based in Veldhoven in the Netherlands. Improvements in optical lithography are a matter of "blood, sweat and tears rather than brilliance," he says.

It is possible that the next step beyond optical lithography will be X-ray lithography, as X-rays have a shorter wavelength than ultraviolet light and so give better resolution.

But the commercialisation of the technique which was developed as long ago as the early 1970s is not assured. "There is a whole range of problems, from the X-ray light source to the precision of the rest of the equipment," says Russell Weinstock, vice-president of Silicon Valley Group, a semiconductor equipment manufacturer.

Some researchers are more interested in electron beams, which have an even narrower wavelength of just a few picometres, (millionth of a micron). These beams can be used to trace each line in a circuit diagram directly on to a chip. But this approach is slow and costly.

A promising alternative approach was demonstrated last summer by Bell Labs in Jersey, in the Channel Islands. It showed it was possible to scatter and focus the electron beams to make components just 0.08 microns across.

Another fast-moving area of research concerns "single electroo" semiconductor memories, which is the subject of an European Union-funded research collaboration launched last month.

Laboratories in France, Belgium, Germany, Greece and the UK are collaborating oo this project which focuses on the precise control of a small number of electrons, rather than the average behaviour of hundreds of thousands of electrons, as is currently the norm.

The research is expected to lead to an astounding 1 terabit – or 1,000 billion bits – per chip in 2016, according to Hitachi, which is contriboting to the research. If successful, the poteotial of these devices would be buge. As well as being very powerful, they would need a fractioo of the power consumed by today's transistors.

The research poses some formidable challenges, such as overcoming the need for extremely cold temperatures. It also calls for innovative technologies to make such minute devices, which include metal or semiconductor "islands" – sometimes called "quantum dots" – measuring as little as a few nanometres across.

One possibility is to grow tiny semiconductor or metal nanocrystals and wire them up; another is etching the features with a scanning tunnelling microscope. The first, spectacular demonstration of this technique was in 1990, when a team of Zürich-based International Business Machines researchers spelt out the IBM logo with 35 individual atoms of xenon by using the microscope to drag xenon atoms, one by one, with the tip until they were in position.

Other radical ideas under consideration include a molecular computer that uses bacteriorhodpsin, a protein that alters its configuration in response to light. The intriguing possibility of using DNA as the basis of a computer has also received attention. A primitive example of a DNA computer was built in 1994 by a researcher at the University of Southern California who had used stretches of DNA to represent all possible solntions to a particular problem; molecular biology tools were then used to find the best answer.

Clearly, there is no shortage of potential successors to today's technology. But the difficulty in forecasting which might succeed is that a new technology must provide continued reduction in costs as well as technical superiority.

The fear that escalating costs, rather than technical limitations, will hold back progress in semiconductors is gaining ground.

Gordon Moore – the founder of Intel and author of the eponymous law of rising transistor densities, has warned that the rate of technological progress is going to be controlled by "financial realities".

At some stage, the pace of change in the semiconductor industry will slacken. But there is an understandable reluctance to try to predict when. The industry's record in overcoming obstacles in the past, coupled with its far-reaching exploration of new technologies for the future, means it could deliver some breathtaking advances in computing power before it falters.

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Picture this protection

As the debate abont protecting copyright oo the Internet continues, Digimarc, an Oregon-based software company, has come up with a sointion for photographers, commercial illustrators and anyone eisa who creates electronic images.

It is a "digital watermark" that imperceptibly embeds copyright information in the pixels of the image so that it is extremely difficult to remove without considerably altering the image.

The software used to create snch digital watermarks is called PictureMarc and is included in the latest versions of leading photographic editing software titles such as Adobe PhotoShop 4.0, CorelDraw 7 and CorelPhoto-Paint 7.

When someone downloads a picture from the web, they can run it through the PictureMarc filter and immediately see whether the picture is copyrighted and what the conditions are – free use or limited distribution.

All pictures with this embedded watermark have a unique Creator ID number, for which the creator of the image registers with Digimarc. It will link viewers of the image with a World Wide Web page, run by Digimarc, containing details of the artist, contact information and pointers to other work.

This online locator service, called MarcCentre, aims to link image creators and image consumers online. The company says that combined with PictureMarc, MarcCentre offers image creators marketing and revenue opportunities by putting them in direct contact with the people most interested in licensing or buying their work.

"What we are creating through MarcCentre is a communication mechanism that establishes a standard for photographers and image creators who have wanted to use the internet for business but just have not known how to get started," says Hugh Mackworth, president and chief executive of Digimarc.

When watermarking an image for the first time, image creators are given the opportunity to subscribe to MarcCentre and provide contact information about themselves and their work. This informatioo is linked directly to the creator's watermark.

Mackworth admits the system is not watertight, as someone could scan in images printed ont from the web and eventually change them so mnch that the watermark would be "washed oot". But, he observes, whoever did this would be actively working to circumvent copyright.

Viewers and consumers of images do not have to buy graphics software to read these watermarks as Digimarc provides a free watermark reader on its World Wide Web site (http://www.digimarc.com). When they find a watermarked image they either want to license straightaway or want to investigate further, they can read the watermark and link directly to the image creator's cootact information.

Creators, however, will have to pay annual subscriptions to MarcCentre – $150 for an individual image creator. Initial users are being invited to subscribe to MarcCentre for $79 for the first year.

The company appears to have some stroog industry support. "MarcCentre has tremendous value," says Will Mosgrove, national president of Advertising Photographers of America. Providing upfront copyright information about image creators' work will protect their interests, he says.

Geof Wheelwright

Internet video market comes under assault

Having made its RealAudio software a standard for the transmission of voice and music over the Internet, Progressive Networks is seeking to do the same for video.

The company's new RealVideo 1.0 software enables the delivery of "newscast" quality video over standard modem connections running at 28.8kbps (thousand bits per second). Quality at this speed is erratic, but RealVideo may come into its own as faster 56kbps modems are introduced and companies install high-speed internal networks using Internet technologies.

While prodncts which allow video transmission over the Internet are already available from companies such as VXtreme, RealVideo is the first to be marketed for mass adoption. Website developers will have to pay at least $295 for RealVideo software, but the basic client software for users, which works in tandem with Internet browsers such as Netscape's Navigator, is free.

Progressive Networks: tel US 206 674 2700; http://www.prognet.com

'Extra strong' encryption go-ahead

The US government has further eased the way for secure electronic transactions over public networks by allowing exports of "extra strong" encryption for the first time.

Open Market, a developer of software for electronic commerce, has received permission to export products which use digital passwords with 128 digits or bits to make transmissions practically impenetrable. Tha US, concerned that foreign use of these long digital passwords would hamper its intelligence agencies, is restricting the export of encryption technology of 56 bits and above.

Draft legislation before Congress calls for passwords to be deposited with a third party which would be required to hand them over to officials who had secured a court order.

Three companies have gained export licences after complying with these requirements. Open Market, which supports Internet commerce sites run by companies such as Time Warner, circumvented the rules by persuading the government that its software could be used only to secure financial data.

Open Market: tel US 617 949 7000; http://www.openmarket.com

Watching brief

Reuters in intranet service plan

Reuters is the latest financial information vendor to exploit Internet technology to expand its reach within investment banks and fund management companies. The UK-based company plans this quarter to launch Reuters Markets Monitor, a pared down service delivered over a company's own intranet network at about half the cost of the full Reuters product.

Reuters terminals which carry a full array of real-time data, such as its latest 3000 model, have been largely restricted to trading floors because of their cost. But Internet technologies, which allow distribution of market data to any personal computer with a browser and a connection to the corporate network, are encouraging a new tier of services for groups such as corporate financiers and portfolio managers. New entrants to the market, such as Display.IT, are already delivering cut-price financial information; established groups such as Reuters and Dow Jones Telerate are following.

Reuters: tel UK (0)171 250 1122; webmaster@reuters.com; http://www.reuters.com

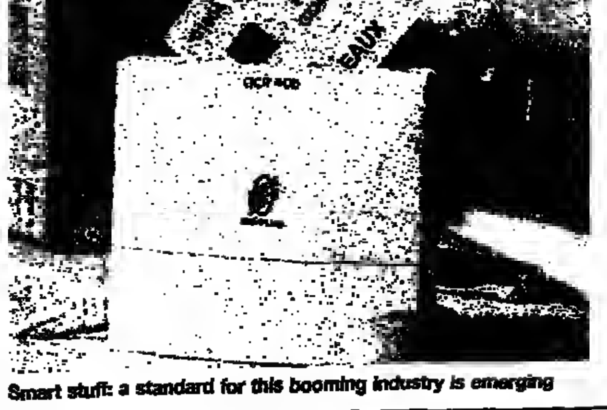
Signs of a standard for smart cards

A standard for the booming but fragmented smart card industry began to emerge this month: Gemplus, the world's largest manufacturer of the credit card-sized devices, joined Schlumberger in licensing technology from Sun Microsystems.

Smart cards, which can be used to carry electronic cash or authenticate the identity of a computer user, are crucial to the development of electronic commerce, but the industry has hindered acceptance by spawning abont 30 mainly incompatible schemes.

After this month's announcement, however, it is more likely manufacturers will design cards that can be deciphered on insertioo into other groups' readers. After Gemplus's move, Sun's Java Card operating system now has the backing of companies representing abont 70 per cent of the world's smart card productioo.

Gemplus: tel France 42 36 56 83; http://www.gemplus.com



Smart stuff: a standard for this booming industry is emerging

Institutions' trading set to go online

A planned Internet-style network from Transaction Network Services is poised to change the way institutional investors express interest in a trade to brokers and enter their orders, traditionally done by telephone.

Investment banks led by Salomon Brothers created a protocol called Financial Information Exchange, a common language for electronic communications between securities houses and their clients. But banks unwilling to trust traffic to the sometimes unreliable public Internet have been forced to maintain dedicated private links to each of their clients, inhibiting the spread of FIX.

A possible solution is FastLink, an "extranet" to be launched by TNS this quarter which uses a combination of Internet and FIX protocols to connect market participants, but remains separate from the public network.

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INTERNATIONAL CAPITAL MARKETS

Abbey National taps Asian demand

INTERNATIONAL BONDS

By Edward Luce

Abbey National's $750m eurobond led the markets yesterday in trading dominated by medium-sized dollar issues. The Philippine Long Distance Telephone Company's $500m two-tranche global bond also attracted strong demand from primary investors.

Traders said the Abbey National launch – priced at 18 basis points over the "when-issued" five-year US Treasury – had held steady in afternoon trading.

Abbey's "euro-asia" issue, which is listed in London and Hong Kong – reflecting growing Asian institutional demand for such issues – was underwritten by Merrill Lynch and Nomura International.

"The Abbey eurobond was priced quite tightly but if you look at Halifax's issue which tightened from 20 basis points to 12 basis points over Treasuries there is probably good reason," said one syndicate official.

UK traders took about 60 per cent of the issue, with 30 per cent going to Asia. The bond was launched overnight to coincide with trading in Japan.

PLDT's latest global issue tightened shortly after its launch. The two-tranche bond, $200m in 10 years and $300m in 20 years, was lead-managed by Goldman Sachs and Citibank.

Traders said the deal was heavily oversubscribed and widely distributed, reflecting strong confidence in the Philippines' improving credit status. Standard & Poor's upgraded Philippine sovereign debt by one notch to BB plus last Friday.

"The Philippines' rating should be investment grade by the end of the year, so the debt is being bought up partly as a play on that," said one trader. "PLDT also has a very powerful grip over the domestic telephone market which doesn't look like slackening."

The debt, priced at 150 and 170 basis points over equivalent US Treasuries respectively, tightened by about two basis points after launch. The 20-year was trading at around 15 basis points over Philippine sovereign debt. US investors took more than half of both tranches, with about 30 per cent going to Asia and 15 per cent to Europe.

Romanian Commercial Bank's debut eurobond also caught the eye as only the second to come from Romania after last June's sovereign offering of $225m.

Merrill Lynch, which led yesterday's deal as well as the sovereign eurobond last year, priced the debt at 300 basis points over Treasuries – 5 basis points higher than the sovereign debt.

Merrill said the offer was distributed widely across European dollar funds, notably in the Benelux region, the UK and Switzerland.

Romania is expected to return to the eurobond markets this year to help fund a $3bn borrowing requirement.

Moody's, the credit rating agency, has assigned Nizhniy Novgorod, the Russian city, a Ba2 foreign currency credit rating in advance of its debut eurobond expected this year. The rating, which follows the City of Moscow's rating earlier this week, also at Ba2, was capped at Russia's foreign debt ceiling.

Both cities are expected to issue in April or May after Russia has completed its D-Mark eurobond, which is expected in the next few weeks. Nizhniy Novgorod's debut bond is expected to be about $100m.

Other notable issues yesterday inclnded a $250m four-year bond by BNG, the Dutch financial institution, which was priced at 8 basis points over Treasuries.

The debt, lead-managed by ABN Amro and DKB, tightened to 7 basis points shortly after trading.

Goldman Sachs turned some heads as the sole lead manager of a FFr1.3bn eurobond by the European Investment Bank. This was the first time an EIB French franc issue had not involved a French bank as lead or joint lead manager.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Abbey Natl Treasury Services	750	6.375	99.749R	Mar 2002	0.275R	+18(WI 5yr)	Merrill/Nomura Intl
BNG	250	6.125	99.89R	Mar 2001	0.225R	+8(5⅞%Feb00)	ABN Amro/DKB Intl
Bayerische Vereinsbank(f)	250	6.125	99.84R	Mar 2001	0.225R	+15(5⅞%-00)	Paribas Capital Markets
National Australia Bank	250	6.00	99.915R	Mar 1999	0.125R	+10(WI 2yr)	Salomon Brothers Intl
Swedish Export Credit★	120	5.40#	100.00	Mar 2000	1.15	-	IBJ Intl/New Japan Secs
World Bank(a)‡	100	(a1)	99.825R	Mar 2007	0.325R	-	BCI/Lehman Brothers
Rabobank Nederland(b)	100	6.00	99.67R	Mar 2001	0.225R	+2(5⅞%Feb00)	SBC Warburg
Romanian Commercial Bank	75	6.125	98.857R	Mar 2000	1.25R	+300(5⅞%-00)	Merrill Lynch Intl
AGF Braseg(c)	50	(c1)#	100.25R	Mar 2005	0.60R	+205(5⅞%-00)	Société Générale
D-MARKS							
Korea Export-Import Bank‡	500	(d)	99.96R	Mar 2002	0.20R	-	DG Bank
FRENCH FRANCS							
European Investment Bank‡	1.3bn	(e)	100.00R	Mar 2007	0.325R	-	Goldman Sachs Paris

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Callable in Mar 02 at par. a1) 6.8% to 26/3/02, then 13% -12-mth Libor, min 4%. b) $250m launched 11/2/97 was increased to $350m. c) Callable & puttable on 10/3/00 & 02 at par. c1) 8⅛% to 10/3/00, then 9% to 10/3/02, then 9⅛%. d) 3-mth Libor +15bp. e) 4¼% to 18/3/02, then Tec-10 -42bp. f) Over interpolated yield. § Long 1st coupon.

Flurry of lending to east Europe

By Conner Middelmann

Eastern European borrowers are keeping the syndicated loans market busy, with deals for Polish and Russian entities benefiting from international banks' hunger for high-yielding assets.

In Poland, a $115m 7½-year project financing for Netia South, the private telecoms operator jointly owned by Sweden's Telia and Poland's RP Telekom, is attracting strong interest.

Netia plans to build, own and operate a 250,000-line telecoms network in Silesia, a densely populated region in south-west Poland. The network will start operations by the end of the first quarter of 1997.

Bankers say the deal, arranged by Chase Investment Bank and Bank Handlowy w Warszawie, is attracting strong demand. "It's quite cheap – since the terms for Netia were set, pricing in Poland has tightened substantially," said one.

Pricing is initially set at Libor plus 250 basis points and is then linked to a grid determined by the company's ratio of total debt to earnings before interest, tax and depreciation (Ebitda).

At a ratio of 6.5 times, the interest margin is 225 basis points, and declines in 25 basis point increments until the ratio is below 2 times, at which point the margin bottoms at 100 basis points.

Bankers are closely watching this deal, a rare opportunity to gauge appetite for purely commercial Polish debt. The international loans market has seen few Polish transactions – last year, they totalled around $300m.

This is partly because liquidity in the domestic banking sector and competition among Polish banks have made it cheaper for borrowers to raise funds at home. Also, some international banks, notably Japanese, are discouraged from lending to Polish borrowers by provision requirements.

However, international banks' hunger for yield, and Polish financing demand that may outstrip local banks' capacity, are likely to prompt further Polish deals.

One transaction about to hit the market is a $75m five-year bullet loan for Bank Przemyslowo Handlowy, expected to be priced in the 40 basis point area over Libor, via Sumitomo Bank.

Further east, Citibank has arranged a $115.3m refinery modernisation facility for JSC Nizhnekamskneftekhim of the Republic of Tartarstan, under the $2bn oil and gas framework agreement between the US Export-Import Bank and Russia. Under the OGFA, the entire facility is backed by a security package. Lenders will receive a margin of 150 basis points and an up-front fee of 75 basis points.

Alfa Bank, Russia's 17th largest measured by total assets and its third largest private bank, raised $40m through a syndicated loan via Morgan Stanley, substantially more than the $25m it was looking to raise. The 10-month deal pays 550 basis points over Libor.

Moscow is also said to be working on a loan, with Dentsche Morgan Grenfell, Société Générale and West Merchant Bank thought to be arrangers.

Italy underperforms core European sector

GOVERNMENT BONDS

By Richard Lapper and Samer Iskandar in London and Lisa Bransten in New York

Italy, and to a lesser extent Sweden and Spain, underperformed Germany and core European markets, as "divergence" – the dominant trend in European bond markets this month – resumed.

Over the past few days Italy's bond market has been buoyed by positive news on the inflation front, with the 10-year yield spread over Germany narrowing in by several basis points.

Yesterday, bowever, Italian BTP prices slid lower on fears that the communists might not support the government's mini-budget.

On Liffe, the March 10-year BTP future reached a midday high of 131.50, but then lost ground, settling at 130.54, down 0.65 on Monday's close. In the cash market, the 10-year yield spread over bunds widened by 7 basis points to 173 points.

"BTPs continue to be sentiment-driven", said Mr David Brickman at Yamaichi International.

Spanish and Swedisb underperformance was by a smaller margin, with 10-year yield spreads over bunds widening by 2 basis points to 120 and 106 points respectively.

In Barcelona, the March bono future closed marginally higher at 113.87. Traders said the government's announcement of a plan to guarantee fiscal discipline for the years after 1997 had little impact on sentiment.

German bunds proved resilient to bearish inflation data, with Liffe's March bund future closing 0.14 higher at 103.37.

Import price inflation rose to 2.6 per cent in January, from 2 per cent, mainly as a result of the weaker D-Mark. But Mr Brickman said investors were confident the rise would not feed through to consumers, because of the weakness of demand. Yamaichi believes German inflation peaked in January and expects it to settle at around 1.5 per cent in coming months.

"German caution about European monetary union is making international portfolio investors more keen to switch into D-Mark securities, away from other European markets," said Mr Kirit Sbah, chief market strategist at Sanwa International.

Data showing a slight increase in inflation had little impact on the Frencb market. Consumer prices rose by 1.8 per cent in the year to January, against 1.7 per cent for the previous month. On Matif the March notional contract settled at 132.22, up 0.10.

US Treasury prices were flat in quiet trading as economic data was mixed.

Near midday, the benchmark 30-year Treasury was up [illegible] at 99[illegible] to yield 6.642 per cent while the two-year note was unchanged at 100[illegible], yielding 5.837 per cent. The March 30-year bond future strengthened by ¼ to 112¾.

Bonds rose after the release of the BTM/Schröders indicator of weekly chain store sales showed a drop of 0.3 per cent.

Later, however, Treasuries gave up some of those gains after the Conference Board said that consumer confidence jumped to 118.4 this month, where sconomists had expected the figure to decline modestly to 115.8. The Conference Board also revised the January figure to 118.7 from 118.8.

Ms Marilyn Schaja of Donaldson Lufkin & Jenretts said high levels of consumer confidence were not necessarily a cause for alarm that spending could heat up the economy. "Despite the overall favourable consumer confidence reports of the past few months, it should be remembered that at the onset of a slowdown in activity, consumer confidence drops sharply and very quickly," she said.

There was some pressure on the market ahead of the afternoon auction of $17.5bn in two-year notes.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	94.6022	+0.088	7.54	7.26	7.44
Austria		5.625	01/07	100.6700	+0.050	5.53	5.49	5.74
Belgium		6.250	03/07	104.4500	+0.020	5.66	5.53	5.69
Canada *		7.000	12/06	105.5800	+0.480	6.23	6.17	6.60
Denmark		8.000	03/06	112.1600	+0.200	6.21	6.14	6.34
France	BTAN	5.500	10/01	104.7439	-	4.36	4.28	4.40
	OAT	6.500	10/06	108.5200	+0.030	5.35	5.31	5.58
Germany Bund		6.000	01/07	103.3900	+0.080	5.54	5.48	5.73
Ireland		8.000	08/06	111.3300	+0.230	6.37	6.37	6.57
Italy		7.750	11/06	104.3500	-0.280	7.12†	7.16	7.16
Japan	No 143	6.300	09/01	121.2857	-0.030	1.37	1.37	1.39
	No 162	3.000	09/05	104.2727	+0.111	2.40	2.40	2.40
Netherlands		5.750	01/07	102.3600	+0.040	5.31	5.29	5.58
Portugal		9.500	02/06	116.5000	-0.350	6.70	6.57	6.65
Spain		7.350	03/07	103.6000	-0.030	6.73	6.74	6.68
Sweden		8.000	08/07	109.9069	-	6.65	6.65	6.62
UK Gilts		8.000	12/00	104-06	+1/32	6.72	6.68	6.96
		7.500	12/06	102-13	-	7.15	7.09	7.42
		9.000	10/08	113-21	+1/32	7.24	7.18	7.51
US Treasury *		6.250	02/07	99-05	+6/32	6.37	6.28	6.53
		6.625	02/27	99-26	+11/32	6.64	6.55	6.80
ECU (French Govt)		7.000	04/06	108.4300	-0.030	5.78	5.68	5.89

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.85
Prime rate	8¼	Two month	-	Three year	5.99
Broker loan rate	7	Three month	5.14	Five year	6.17
Fed.funds	5⅛	Six month	5.20	10-year	6.37
Fed.funds at intervention	-	One year	5.46	30-year	6.64

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	132.22	132.22	+0.10	132.38	132.20	79,460	130,700
Jun	130.94	130.94	+0.10	131.10	130.92	5,096	24,317
Sep	129.30	129.26	+0.10	129.36	129.30	74	1,794

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Mar	PUTS Apr	PUTS Jun
128	4.22	2.89	3.21	-	0.04	0.35
129	3.22	1.98	2.43	-	0.11	0.55
130	2.22	1.19	1.75	-	0.29	0.86
131	1.23	0.58	1.15	0.01	0.68	1.26
132	0.30	0.22	0.72	0.08	1.29	1.81

Est. vol. total, Calls 6,124 Puts 29,737. Previous day's open int., Calls 169,097 Puts 243,638.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.28	103.37	+0.14	103.47	103.28	141124	229167
Jun	102.48	102.55	+0.14	102.64	102.48	23312	72968

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
10250	0.59	0.61	1.10	1.16	0.54	0.86	1.05	1.98
10300	0.34	0.65	0.85	0.93	0.79	1.10	1.30	2.23
10350	0.16	0.45	0.64	0.78	1.13	1.40	1.59	2.56

Est. vol. total, Calls 6724 Puts 7125. Previous day's open int., Calls 0 Puts 0

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	131.30	130.54	-0.65	131.50	130.47	97810	108504
Jun	130.80	129.97	-0.57	130.80	129.96	18930	30473

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
12950	2.09	2.80	1.62	2.45
13000	1.78	2.55	1.61	2.70
13050	1.51	2.32	2.04	2.97

Est. vol. total, Calls 3182 Puts 4317. Previous day's open int., Calls 0 Puts 0

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	114.04	113.87	+0.02	114.15	113.68	63,358	60,341
Jun	114.14	114.11	+0.02	114.26	114.10	3,805	17,114

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113-03	113-03	+0-03	113-08	113-01	118830	151700
Jun	112-20	112-21	+0-04	112-25	112-16	58692	52282

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
112	1-13	1-50	2-06	2-37	0-35	1-08	1-28	2-25
113	0-41	1-14	1-35	2-07	0-63	1-36	1-58	2-59
114	0-19	0-51	1-06	1-45	1-41	2-09	2-30	3-33

Est. vol. total, Calls 3440 Puts 923. Previous day's open int., Calls 0 Puts 0

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	98.14	98.08	+0.04	98.20	98.08	1,297	6,324

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-20	112-29	+0-09	112-29	112-20	266,918	454,183
Jun	112-07	112-14	+0-08	112-14	112-06	61,700	89,606
Sep	-	111-23	-	-	-	640	12,215

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	126.16			126.21	126.14	3004	na
Jun	124.76			124.78	124.72	1352	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Feb 25	Day's change %	Mon Feb 24	Accrued interest	xd adj. ytd		Low coupon yield Feb 25	Feb 24	Yr. ago	Medium coupon yield Feb 25	Feb 24	Yr. ago	High coupon yield Feb 25	Feb 24	Yr. ago
1 Up to 5 years (18)	121.09	0.05	121.03	2.09	2.45	5 yrs	6.83	6.85	7.32	6.89	6.91	7.36	6.94	6.97	7.45
2 5-15 years (21)	153.02	0.10	152.87	2.76	1.53	15 yrs	7.33	7.33	6.15	7.33	7.33	6.16	7.35	7.35	8.27
3 Over 15 years (8)	174.86	0.09	174.69	3.77	2.22	20 yrs	7.41	7.40	8.24	7.36	7.39	8.24	7.39	7.38	8.33
4 Irredeemables (6)	203.02	-0.49	204.02	3.44	1.00	Irred.†	7.48	7.44	8.29						
5 All stocks (51)	146.71	0.08	146.60	2.68	2.06										

Index-linked							Inflation 5% Feb 25	Feb 24	Yr. ago	Inflation 10% Feb 25	Feb 24	Yr. ago
6 Up to 5 years (2)	206.45	0.00	206.46	2.41	0.00	Up to 5 yrs	3.01	3.01	2.71	2.29	2.28	1.41
7 Over 5 years (10)	199.49	0.03	199.43	0.90	1.81	Over 5 yrs	3.39	3.39	3.72	3.16	3.16	3.51
8 All stocks (12)	199.14	0.03	199.09	1.05	1.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Feb 25	Feb 24	Feb 21	Feb 20	Feb 18	Yr ago	High*	Low*
Govt. Secs. (UK)	96.40	96.20	96.64	96.51	96.61	93.08	96.74	91.59
Fixed Interest	119.98	119.99	120.13	120.04	120.15	112.15	120.16	110.74

Gilt Edged Activity Indices

	Feb 24	Feb 21	Feb 20	Feb 18	Feb 18
Gilt Edged bargains	NA	91.5	88.3	90.0	90.7
5-day average	NA	96.7	99.3	98.7	96.6

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 25

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99⅞	100⅛		6.52
ABN Amro Bank 7¼ 05	1000	102½	102⅞	+⅛	6.98
African Dev Bk 7⅝ 23	500	101⅝	102		7.23
Alberta Province 7⅝ 98	1000	102½	102⅝		6.00
Asian Dev Bank 6⅜ 05	750	98⅛	98¼		6.64
Austria 8½ 00	400	105	105¼		6.16
Baden-Wuert L-Fin 8¼ 00	1000	104⅞	105⅛		6.24
Bancomext 7¼ 04	1000	92⅞	93¼	-⅛	8.82
Bank Ned Gemeenten 7 99	1000	102	102¼		6.09
Bayer Vereinsbk 8¼ 00	500	104⅞	105⅛		6.24
Belgium 5½ 03	1000	95⅛	95⅜	+⅛	6.41
British Columbia 7¾ 02	500	105½	105¾		6.46
British Gas 0 21	1500	16⅞	16⅞	+⅛	7.60
Canada 6½ 05	1500	99	99⅛	+⅛	6.64
Cheung Kong Fin 5½ 98	500	98⅞	99½	+⅛	6.58
China 6½ 04	1000	97⅞	98⅛	+⅛	7.05
Credit Foncier 9½ 99	300	106⅛	106½		6.14
Denmark 5¾ 98	1000	99⅞	100⅛		5.88
East Japan Railway 6⅝ 04	600	99⅝	99⅞	+⅛	6.69
EIB 6 04	500	97¼	98⅛		6.41
Elec de France 9 98	200	103	103¼		5.96
Ex-Im Bank Japan 8 02	500	105⅝	105⅞		6.48
Export Dev Corp 9½ 98	150	104⅛	104⅜	-⅛	6.08
Exxon Capital 0 04	1800	61½	61⅞	+⅛	6.50
Fed Home Loan 7⅛ 99	1500	102⅛	102½		6.14
Federal Natl Mort 7.40 04	1500	105⅛	105⅜		6.52
Ford Motor Credit 6¼ 98	1500	100⅛	100½		5.95
General Mills 0 13	1000	26⅝	27⅛		8.37
IM Finance 5¼ 98	650	98⅝	98⅞		6.07
Inter-Amer Dev 6¾ 05	1000	97¼	97½		6.64
Inter-Amer Dev 7½ 05	500	105⅛	105⅜		5.66
Intl Finance 5¾ 99	500	98⅞	99⅛		5.80
Italy 6 03	2000	97⅝	98	+⅛	6.50
Italy 6⅞ 23	3500	95⅛	96	+⅛	7.37
Japan Dev Bk 8⅜ 01	500	106⅞	107⅛		6.36
Korea Elec Power 6⅜ 00	1350	97⅝	97⅞	-⅛	6.98
Matsushita Elec 7¼ 02	1000	103½	103¾		6.58
Ontario 7⅜ 03	3000	104⅞	104⅜		6.63
Ontario 7¾ 02	2000	105⅞	106	+⅛	6.52
Oster Kontrollbank 8½ 01	200	107⅝	107⅞		6.37
Portugal 5¾ 00	1000	95⅞	95⅞	+⅛	6.53
Quebec Hydro 9⅜ 98	150	105	105⅜	-⅛	6.31
Quebec Prov 0 98	200	100	103⅛		6.11
SAS 10 99	200	106⅜	106⅝		6.51
SNCF 9½ 98	150	104½	104⅝		6.01
Spain 6½ 99	1500	101⅛	101⅜		6.00
Sweden 6½ 03	2000	100⅜	100⅞		6.45
Tennessee Valley 6 00	1000	99½	99⅞		6.25
Tennessee Valley 6⅞ 05	2000	98⅞	99	+⅛	6.66
Tokyo Elec Power 6⅝ 03	1000	98⅞	99¼	-⅛	6.33
Toyota Motor 5⅝ 98	1500	99¼	99⅞		5.87
United Kingdom 6¾ 01	2000	102⅛	102¼		6.17
United Kingdom 7¼ 02	3000	104⅜	104⅞	+⅛	6.24
Walt Disney 6⅜ 01	1300	103	100⅛	+⅛	6.47
World Bank 6⅜ 05	1500	99⅜	99½	+⅛	6.56
World Bank 8⅜ 99	1500	105⅝	105⅞		5.88
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	100⅞	101½	-⅛	6.43
Baden-Wuert L-Finance 6 99	2000	104⅞	105		3.71
Credit Foncier 7¼ 00	2000	110	110¼	+⅛	5.26
Denmark 6¼ 98	2000	108	109		3.36
Depfa Finance 5⅝ 03	1500	105⅛	105¼		5.25
Deutsche Bk Fin 7½ 03	2000	111⅛	111⅜	-⅛	5.27
Deutsche Finance 5¾ 04	2500	103½	103⅝		5.16
EEC 6½ 03	2900	106⅞	107⅛	-⅛	4.05
EIB 6¼ 00	1500	106⅞	106⅝		4.03
Finland 7½ 00	3000	109⅞	109⅛		3.95
KFW Intl Finance 6¼ 03	2250	106⅛	106½		6.09
LKB Baden-Wuert 8½ 08	2250	105⅜	105¼	+⅛	5.61
Norway 6¼ 98	1500	103½	103⅜		3.40
Ontario 6¼ 04	1500	105⅛	105⅜		5.34

	Issued	Bid	Offer	Chg	Yield
Spain 7¼ 03	4000	111½	111½		4.99
Volkswagen Ind Fin 7 03	1000	109	109¼		5.27
World Bank 5⅞ 03	3000	105½	105⅝		4.69
World Bank 6¼ 02	3000	106⅜	106⅞		4.72
World Bank 7¼ 05	3000	111¼	111⅜	+⅛	5.38
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	42¾	43	+¼	4.65
Austria 4½ 00	1000	108¼	108¾		2.29
Denmark 4¼ 99	1000	105⅛	105¼	+⅛	2.19
EIB 3¼ 99	1000	103½	103⅞		1.86
EIB 6¾ 04	300	116⅝	117⅜		4.16
Finland 7¼ 99	500	112¼	112½	+⅛	2.36
HELABA FINANCE 3⅜ 03	1000	105	105		2.37
Iceland 7⅝ 03	100	115⅞	117	-⅛	2.71
Inter Amer Dev 4½ 03	500	109¼	111		3.15
Ontario 6¼ 00	400	116⅜	116½		3.17
Quebec Hydro 5 08	100	103⅛	105½		4.56
SNCF 7 04	450	122⅛	123⅞	+¼	3.54
Sweden 4¼ 03	500	109⅛	110		3.16
World Bank 0 21	700	32⅛	32½	-⅛	4.69
World Bank 7 01	600	115⅛	116⅝	+⅛	2.68
YEN STRAIGHTS					
Belgium 5 99	75000	111⅛	111⅜		0.97
Credit Foncier 4¾ 02	75000	113⅝	113⅞		2.08
EIB 6⅝ 00	100000	116⅝	117		1.03
Ex-Im Bank Japan 4⅜ 00	105000	113⅞	114⅛		2.10
Fed Nat Mort 2 99	100000	102⅞	103⅛		0.97
Inter Amer Dev 7¼ 03	30000	119⅜	119½	-⅛	1.13
Italy 3½ 01	300000	106⅛	106⅜		1.55
Italy 5 04	200000	117⅞	116⅞	+⅛	2.45
Japan Dev Bk 5 99	100000	110½	110⅝		0.89
Japan Dev Bk 6½ 01	120000	122	122¼		1.48
SNCF 6¾ 00	30000	116⅞	117⅛		1.04
Spain 5¼ 02	125000	119½	119¾		1.71
World Bank 5¼ 02	250000	117⅝	117¾		1.82
OTHER STRAIGHTS					
EBRD 14¾ 98 R	250	99¾	100¼	-⅛	15.13
World Bank 15 99 R	500	101½	102	-⅛	14.05
Austria 6½ 99 R	1000	105¼	105⅝		3.72
PTT Nederland 8½ 06 R	1500				
Bell Canada 10⅝ 99 C$	150	112⅞	113¼	+⅛	4.77
British Columbia 7¾ 03 C$	1250	109½	109⅞	+¼	6.01
Canada Mtg & Hsg 8¾ 99 C$	1000	108½	109⅛	+⅛	4.59
EIB 10⅛ 98 C$	130	106½	106⅞	+⅛	3.65
Elec de France 9¾ 99 C$	275	111¾	112¼	+⅛	4.70
KfW Int Fin 10 01 C$	400	116¼	116⅝	+⅛	5.40
Nippon Tel Tel 10¼ 99 C$	200	113¼	113½	+⅛	4.76
Ontario 8 03 C$	1500	110⅞	111⅛	+⅛	5.93
Ontario Hydro 10⅞ 99 C$	500	112¾	113	+⅛	4.36
Oster Kontrollbank 10¼ 99 C$	150	112½	112⅞		4.65
Quebec Hydro 7 04 C$	1000	104	104¼	+⅛	6.40
Quebec Prov 10½ 98 C$	200	110⅛	110½		4.39
Council Europe 9 01 Ecu	1103	116⅜	116⅝	+⅛	5.01
Credit Foncier 8⅜ 04 Ecu	1000	113⅞	114¼		5.91
Denmark 8½ 02 Ecu	1000	115¼	115½		5.06
EC 6 03 Ecu	1100	105¼	105⅜		4.45
EIB 10 01 Ecu	1150	116⅝	116		4.65
Finland 8½ 07 Ecu	750	118⅛	118½		6.69
Italy 9¼ 11 Ecu	2500	126¾	127¼		6.32
Italy 10¾ 03 Ecu	1000	117½	117⅞		4.64
United Kingdom 9⅛ 01 Ecu	2750	115¾	115⅞		4.70
AIDC 10 99 A$	103	105⅛	105⅜	+⅛	6.98
Comm Bk Australia 13¾ 99 A$	100	115	115½		7.11
EIB 7⅜ 99 A$	350	103⅛	103⅜	+⅛	6.41
NSW Treasury Zero 0 20 A$	1000	15	15¼	+⅛	8.02
R & I Bank 7¾ 03 A$	125	101¼	101½	+⅛	7.48
State Bk NSW 9 02 A$	300	106⅛	105⅞	+⅛	7.58
Sth Aust Govt Fin 9 02 A$	150	108	108⅜		7.82
Unilever Australia 12 98 A$	150	105⅞	105⅞	-¼	8.81
Western Aust Treas 7⅜ 98 A$	100	101½	101⅞	+⅛	6.60

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 8 03 £	1000	103	103¼		7.37
British Land 8⅞ 23 £	150	103⅝	104	+¼	8.71
Denmark 6¾ 98 £	800	100⅛	100⅜		6.53
Depfa Finance 7⅛ 03 £	500	98½	98¾		7.41
EIB 8 00 £	1000	104⅛	104½	+⅛	7.13
Finland 7 03 £	500	100⅛	100⅜		6.79
Glaxo Wellcome 8¾ 05 £	500	106⅞	107		7.64
HSBC Holdings 11.69 02 £	153	117⅜	117⅞	-⅛	7.64
Italy 10½ 14 £	400	125	125⅜		7.80
Japan Dev Bk 7 00 £	200	100⅝	100⅞		6.78
Land Secs 9½ 07 £	200	111¼	111⅝	-¼	7.65
Ontario 11⅛ 01 £	100	112⅞	113¼	-⅛	7.27
Powergen 8⅞ 03 £	250	106	106⅛		7.60
Severn Trent 11½ 99 £	150	109⅜	109⅝		7.04
Tokyo Elec Power 11 01 £	150	113¼	113⅝	-⅛	7.26
TCNZ Fin 9¼ 02 NZ$	75	105¼	105⅜	+¼	7.76
World Bank 9 99 NZ$	250	102¼	102⅝		7.88
Credit Local 6 01 FFr	8000	105⅞	106⅛		4.59
Denmark 5½ 99 FFr	7000	104⅛	104⅜		3.63
Elec de France 8¾ 22 FFr	3000	129¾	130¼	+½	6.35

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.95	100.01	5.4375
Argentina Global Fin 0 01	700	99.67	99.75	5.5469
Bankamerica ⅛ 99	750	99.96	100.06	5.5602
Canada -⅛ 99	2000	99.75	99.82	5.2539
CCCE 0 06 Ecu	200	99.71	100.01	4.0625
Commerzbk O/S Fin -⅛ 98	750	99.84	99.92	5.3750
Credit Lyonnais 1/16 03	300	98.23	98.68	5.7500
Dresdner Finance 1/16 98 DM	1000	99.95	100.05	3.1875
Fed Nat Mort -1/16 00	1000	99.81	99.89	5.3125
Finland -⅛ 99	1500	99.98	100.05	5.4375
Halifax BS 0 99	500	100.09	100.18	5.5469
IMI Bank Intl ¼ 98	500	100.44	100.55	5.7500
Italy 1/16 99	1500	100.42	100.50	5.6250
Italy ⅛ 98 Ecu	1500	100.25	100.32	4.2461
LKB Baden-Wuert Fin -⅛ 98	1000	99.94	100.00	5.4375
Lloyds Bank Perp S 0.10	500	89.44	90.44	5.8295
Malaysia 1/16 05	650	99.80	100.00	5.6875
Nova Scotia ⅛ 99	500	99.98	100.08	5.6992
Ontario 0 99	2000	100.16	100.23	5.4961
Portugal 1/16 99 DM	2500	100.32	100.39	3.1875
Quebec Hydro 0 99	500	99.81	99.93	5.5938
Renfe 0 98	500	99.78	100.05	5.4375
Spain -1/16 02 DM	2000	100.09	100.15	3.1875
State Bk Victoria 0.05 99	125	100.00	100.13	5.7219
Sweden -⅛ 01	2000	99.98	100.05	5.3867
United Kingdom -⅛ 01	2000	99.87	99.92	5.3125

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	6.04	95¾	98¼	+30.70
Fuji Intl Finance ¼ 02	210000		94	95	
Gold Kalgoorlie 7½ 00	65	1.37	111	112½	-18.00
Grand Metropolitan 6½ 00	710	4.37	116⅞	117⅞	+3.89
Hong Kong Land 4 01	410	31.05	92¾	93½	-8.85
Land Secs 6¾ 02 £	84	6.72	114½	117½	-1.98
Lasmo 7¾ 05 £	90	5.64	97⅞	98⅞	
MBL Intl Fin 3 02	2000	22	103⅞	104⅝	-2.24
Mitsui Bank 2⅝ 03	200	2332.6	81½	83½	
Ogden 6 02	85	39.077	94	96	+76.10
Pennzoil 4¾ 03	500	56.8097	115⅞	116⅞	+2.86
Sandoz Capital 2 02	750	1302.26	112⅛	112⅞	+23.31
Sappi BVI Finance 7½ 02	250	76	93½	94½	
Sapporo 1⅜ 00	40000	1059.4	100⅝	101⅛	+46.71
Sumitomo Bank 3½ 04	300	3609.9	85½	86½	+80.54
Sun Alliance 7¼ 08 £	155	3.9	125	126⅛	+32.63
Transatlantic Hldgs 5½ 09 £	250	5.05	99¼	99¾	+2.73

* No information available - previous day's price.
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)						
Exch 10½pc 1997	10.49	-	100⅛	----	107⅜	100
Treas Cnv 7pc 1997‡‡	6.97	6.02	100⅜	----	101⅜	100⅜
Treas 8¾pc 1997‡‡	8.64	6.04	101⅜xd	----	107⅝	101¼
Exch 15pc 1997	14.10	6.07	105⅝	----	114⅞	102⅝
Exch 9¾pc 1998	9.47	6.17	100	----	108⅛	100⅛
Treas 7¼pc 1998‡‡	7.18	6.24	101⅛	----	109⅝	100⅛
Treas 15½pc '98‡‡	13.66	6.41	113⅜	-⅛	122⅛	113⅛
Exch 12pc 1998	11.02	6.45	108⅝	----	114⅛	108
Treas 9½pc 1999‡‡	9.03	6.49	105¼	----	108⅛	97⅝
Treas Flt Rate 1999‡‡	-	-	100¼	+⅛	100⅜	99⅞
Exch 12¼pc 1999	11.04	6.54	110⅝	----	116⅜	110⅛
Treas 10½pc 1999	9.71	6.47	108⅛	----	111⅛	107
Treas 6pc 1999 ‡‡	6.06	6.53	98⅝	+⅛	99¼	96
Conversion 10¼pc 1999	9.41	6.62	108⅝	+⅛	118⅛	107¾
Conv 9pc 2000‡‡	8.47	6.67	106¼xd	+⅛	106⅜	103⅝
Treas 13pc 2000	10.96	6.76	118⅝	+⅛	123⅛	117⅛
Treas 14pc 1998-1	12.66	6.37	108⅞	-⅛	118⅛	108⅞
Treas 8pc 2000‡‡	7.68	6.73	104⅛	+⅛	104⅛	101⅛
Treas Flt Rate 2001	5.67	-	100⅛	+⅛	100⅛	99¼
Treas 10pc 2001	9.01	6.82	110⅝xd	+⅛	113⅛	100⅝
Treas 7pc 2001 ‡‡	6.95	6.83	100⅝	+⅛	101⅛	96½
Five to Fifteen Years						
Treas 7pc 2002‡‡	6.94	6.81	100⅝	+⅛	101⅛	97⅝
Treas 9¾pc 2002	8.66	6.98	112⅜xd	+⅛	113⅝	108⅞
Treas 8pc 2003‡‡	7.60	6.96	105⅛	+⅛	105⅞	99⅝
Treas 10pc 2003	8.67	7.03	115⅜	+⅛	116⅛	110⅝
Treas 11½pc 2001-4	9.89	6.84	116⅜	+⅛	121⅝	114⅜
Funding 3½pc 1999-4	4.05	5.82	86⅞	+⅛	86⅝	78¼
Conversion 9½pc 2004	8.32	7.06	114⅛	+⅛	114⅛	107⅞
Treas 6¾pc 2004‡‡	6.86	7.02	98⅝	+⅛	99⅝	91⅛
Conv 9½pc 2005	8.30	7.12	114⅞	+⅛	122⅝	108⅛
Treas 12½pc 2003-5	9.71	7.07	128⅝	+⅛	130⅛	123⅝
Treas 8½pc 2005‡‡	7.81	7.13	108⅝	+⅛	109⅝	101⅞
Treas 7½pc 2006‡‡	7.33	7.15	102⅜	+⅛	103⅛	94⅝
Treas 7¾pc 2006‡‡	7.47	7.18	103⅝	+⅛	107¼	96⅛
Treas 8pc 2002-6‡‡	7.68	7.87	104⅛	----	104⅞	97⅞
Treas 11¾pc 2003-7	9.60	7.03	122⅛xd	+⅛	124⅛	115⅛
Treas 8½pc 2007 ‡‡	7.76	7.18	109⅝	+⅛	110⅝	101⅛
Treas 7¼pc 2007‡‡	7.20	7.14	100⅝	+⅛	101⅝	97⅝
Treas 9pc 2008 ‡‡	7.82	7.24	113⅝	+⅛	114⅝	103⅛
Treas 8pc 2009	7.56	7.23	105⅝	+⅛	106⅝	96⅛
Treas 6¼pc 2010‡‡	6.91	7.35	90⅝	+⅛	91½	81⅛
Conv 9pc Ln 2011 ‡‡	7.88	7.34	114⅜	+⅛	115⅝	104⅝
Over Fifteen Years						
Treas 9pc 2012‡‡	7.83	7.35	115	+⅛	116⅜	104⅝
Treas 5½pc 2008-12‡‡	6.45	7.11	85¼	+⅛	85⅝	75⅝
Treas 8pc 2013‡‡	7.56	7.37	105⅞	+⅛	107⅛	95⅝
Treas 7¾pc 2012-15‡‡	7.48	7.40	103⅞	+⅛	104⅝	93⅝
Treas 8pc 2015‡‡	7.51	7.35	108½	+⅛	107⅝	95⅝
Treas 8¾pc 2017‡‡	7.67	7.40	114⅛xd	+⅛	115⅝	102½
Treas 8pc 2021‡‡	7.47	7.35	107⅛	+⅛	108⅛	95⅝
Undated						
Consols 4pc	7.63	-	52⅛	+⅛	54⅛	46⅜
War Loan 3½pc‡‡	7.46	-	46⅝	-⅛	47⅝	41⅛
Conv 3½pc '61 Aft	5.47	-	63⅝	+⅛	64⅝	58⅛
Treas 3pc '66 Aft	7.69	-	39	----	39⅛	34⅛
Consols 2½pc	7.39	-	33⅝	+⅛	34⅛	29⅝
Treas. 2½pc	7.45	-	33⅛	----	33⅛	29⅛

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	-	1.74	114⅝	----	114⅝	111⅛
2½pc '01	(78.3)	2.46	3.08	187⅛	----	187⅝	176⅛
2½pc '03	(78.8)	2.71	3.16	183⅝	+⅛	184⅛	171⅝
4⅜pc '04‡‡	(135.6)	2.77	3.18	119⅝	----	120⅛	112⅝
2pc '06	(69.5)	2.92	3.23	194¼	+⅛	195⅝	179⅝
2½pc '09	(78.8)	3.03	3.29	175⅛	+⅛	176⅛	161⅛
2½pc '11	(74.6)	3.11	3.34	181⅛	+⅛	183⅛	166⅛
2½pc '13	(89.2)	3.17	3.37	149⅝	+⅛	150⅝	136⅛
2½pc '16	(81.6)	3.23	3.41	160	+⅛	161⅛	145⅛
2½pc '20	(83.0)	3.31	3.47	153⅛	+⅛	154⅛	138⅝
2½pc '24‡‡	(97.7)	3.33	3.47	127⅛	+⅛	128⅝	115⅛
4⅛pc '30‡‡	(135.1)	3.33	3.47	125¾xd	+⅛	126⅛	118⅝

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1996: 153.0 and for January 1997: 154.4.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009		8.39	7.44	122⅛	----	122⅛	111⅝
B'ham 11½pc 2012		8.68	1.90	132½	----	132½	119½
Leeds 13½pc 2006		9.82	-	137½	----	137½	129
Liverpool 3½pc Irred.		8.30	-	42	----	42	37½
LCC 3pc '20 Aft		6.11	-	37xd	----	37	32½
Manchester 11½pc 2007		9.02	7.80	127½	----	127½	117
Met. Wtr. 3pc 'B'		3.70	6.65	81xd	----	81	73½
N'wide Anglia 3⅝pc 2021		-	4.06	147¼	----	147¼	133
4⅛pc IL 2024		-	4.18	142⅝	----	142⅝	130½
Utd Mex States 16½pc 2008		12.22	-	135xd	----	135½	122

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Dollar rises against D-Mark

MARKETS REPORT

By Simon Kuper

The dollar gained against the D-Mark yesterday as sentiment on the US economy remained bullish, but the currency stalled against the yen.

Mr Yves Thibault de Silguy, European monetary affairs commissioner, lent force to the belief that most European officials are content with the dollar's recent rise when he said its gains could boost growth in the European Union this year. However, he said later that the effect of any further dollar rise was unclear.

Traders' fears eased that Mr Alan Greenspan, chairman of the Federal Reserve, would warn of inflationary dangers when he starts his Humphrey-Hawkins testimony before the Senate today. Strong US consumer confidence figures for February also helped lift the dollar.

But the yen held steady yesterday on a range of market beliefs: that Japan would try resisting a further dollar rally, that Japanese interest rates might rise, and that Japanese investors were repatriating foreign capital ahead of the end of their financial year in March.

Mr Seiroku Kajiyama, the chief government spokesman, said yesterday that the gap between Japan's low interest rates and the higher rates in other countries should be narrowed. Even so, few currency strategists expect a short-term rise in Japanese rates.

The market was largely quiet yesterday as traders waited for Mr Greenspan to begin speaking. The dollar gained 0.6 pfennigs against the D-Mark to close in London ot DM1.676, but was unmoved against the yen at Y122.0. The Japanese currency rose against the D-Mark from Y73.05 to Y72.79.

Sterling rose again, gaining 1.1 pfennigs against the D-Mark to DM2.738, and inching ahead against the dollar to $1.634.

■ There is much debate on whether Japanese repatriation of foreign capital ahead of the financial year-end is braking the dollar's rise. Mr Michael Burke, senior economist at Citibank in London, believes it is. "Typically you find that February and March are the weakest two months of any year for dollar/yen," he said.

Deutsche Morgan Grenfell questioned whether much repatriation occurs. It pointed out that Kampo, the Japanese postal fund, has said it does not intend any such move. But DMG said that the market's belief that repatriation does happen could in itself help the yen.

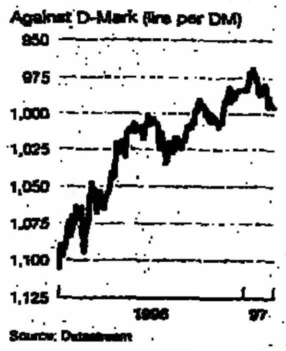
Mr Steve Hannah, chief economist at IBJ in London, said the boost to the yen from repatriation would be slight and temporary. Japan's financial institutions still had "an underlying commitment to building up foreign asset holdings".

■ Pound in New York

Feb 25	Latest	Prev. close
£ spot	1.6320	1.6350
1 mth	1.6311	1.6341
3 mth	1.6292	1.6320
1 yr	1.6196	1.6227

Lira

Against D-Mark (lire per DM)



Source: Datastream

■ The lira fell on continuing fears that European monetary union might be delayed. The currency was also hit by comments from Mr Romano Prodi, the Italian prime minister, who said Italy would have to work hard to meet the criteria for Emu. "Italy has much bigger economic problems than Germany, and great efforts are necessary to make our country fit for Maastricht," he said.

The lira dropped L2.6 to L994.9 against the D-Mark yesterday, eveo though, as expected, the Italian government won a confidence vote on the 1997 budget. Some currency strategists fear that Italy might yet relax its recent fiscal discipline.

■ OTHER CURRENCIES

Feb 25	£	$
Czech Rp	46.3640 - 46.4541	28.3780 - 28.4070
Hungary	284.477 - 284.636	174.120 - 174.170
Iran	4903.80 - 4901.40	3000.00 - 3000.00
Kuwait	0.4954 - 0.4961	0.3032 - 0.3035
Poland	4.9627 - 4.9634	3.0375 - 3.0395
Russia	9265.28 - 9271.45	5671.00 - 5672.00
U.A.E.	6.0006 - 6.0040	3.6722 - 3.6731

■ The South African rand was strong for the second day running, closing at R4.4225 against the dollar.

The currency has rallied recently after losing nearly 30 per cent of its value last year. It hit rock bottom at R4.7525 on December 12.

Mr Richard Gray, in emerging markets research at the Bank of America in London, pointed to four chief reasons for the rand's gains. South Africa's central bank was maintaining high real interest rates; last year's depreciation had begun boosting the trade account; the gold price had recovered over the last fortnight; and many traders expected an austere budget on March 12.

But Mr Gray warned: "The long term trend in the rand is downwards." This was chiefly because the continuing poverty of most South Africans would create pressure to boost economic growth by lowering interest rates.

POUND SPOT FORWARD AGAINST THE POUND

Feb 25		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.2742	+0.0789	643 - 840	19.3178	19.2230	19.2307	2.7	19.1742	2.1	-	-	103.9
Belgium	(BFr)	56.5434	+0.2167	968 - 899	56.6480	56.3660	56.4184	2.7	56.1534	2.8	54.9584	2.8	103.8
Denmark	(DKr)	10.4469	+0.0428	447 - 531	10.4676	10.4187	10.428	2.3	10.3884	2.3	10.2095	2.3	105.7
Finland	(FM)	8.1567	+0.0091	486 - 648	8.1910	8.1470	-	-	-	-	-	-	83.5
France	(FFr)	9.2376	+0.0318	342 - 407	9.2587	9.2067	9.2188	2.7	9.1751	2.7	8.9703	2.8	106.7
Germany	(DM)	2.7386	+0.0112	373 - 399	2.7452	2.7307	2.7321	2.8	2.7188	2.9	2.654	3.1	105.5
Greece	(Dr)	427.687	+0.78	416 - 956	429.070	427.209	-	-	-	-	-	-	66.9
Ireland	(I£)	1.0289	-0.0008	283 - 295	1.0302	1.0263	1.0286	0.3	1.0278	0.4	1.0216	0.7	102.9
Italy	(L)	2724.54	+18.81	273 - 835	2731.32	2709.23	2727.29	-1.2	2731.69	-1.0	2729.74	-0.2	76.1
Luxembourg	(LFr)	56.5434	+0.2167	968 - 899	56.6480	56.3660	56.4184	2.7	56.1534	2.8	54.9584	2.8	103.6
Netherlands	(Fl)	3.0794	+0.0121	781 - 808	3.0857	3.0709	3.0718	3.0	3.0561	3.0	2.9828	3.1	103.4
Norway	(NKr)	10.8698	-0.027	617 - 779	10.9248	10.8198	10.8573	1.4	10.8373	1.2	10.7323	1.3	103.2
Portugal	(Es)	274.873	+0.78	724 - 022	275.744	274.380	275.068	-0.9	275.438	-0.8	-	-	94.8
Spain	(Pta)	231.950	+1.112	853 - 048	232.700	231.370	231.955	0.0	231.865	0.2	230.08	0.8	78.0
Sweden	(SKr)	12.1245	+0.0911	154 - 336	12.1344	12.0670	12.1055	1.9	12.061	2.1	11.8515	2.3	85.8
Switzerland	(SFr)	2.3900	+0.0148	886 - 914	2.3925	2.3792	2.382	4.0	2.3668	3.9	2.2953	4.0	101.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	98.0
Ecu	-	1.4112	+0.0046	102 - 122	1.4139	1.4078	1.4091	1.7	1.4043	1.9	1.3793	2.3	-
SDR†	-	1.175455	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6340	+0.0007	335 - 344	1.6380	1.6292	-	-	-	-	-	-	-
Brazil	(R$)	1.7169	+0.0014	163 - 175	1.7202	1.7112	-	-	-	-	-	-	-
Canada	(C$)	2.2239	-0.0005	229 - 249	2.2285	2.2155	2.2188	2.8	2.2079	2.9	2.1489	3.4	85.9
Mexico	(New Peso)	12.6716	+0.0144	603 - 829	12.6923	12.6327	-	-	-	-	-	-	-
USA	($)	1.6342	+0.0007	338 - 346	1.6383	1.6294	1.6333	0.7	1.6313	0.7	1.6222	0.7	103.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1034	+0.0069	022 - 845	2.1101	2.0979	2.1033	0.1	2.1021	0.2	2.0979	0.3	96.8
Hong Kong	(HK$)	12.6564	+0.0049	525 - 603	12.6873	12.6205	12.6491	0.7	12.6352	0.7	12.5706	0.7	-
India	(Rs)	58.6220	+0.0201	668 - 772	58.7360	58.4860	-	-	-	-	-	-	-
Israel	(Shk)	5.4542	+0.0054	479 - 605	5.4682	5.4468	-	-	-	-	-	-	-
Japan	(Y)	199.364	+0.118	242 - 487	199.840	198.740	198.434	5.8	196.579	5.6	188.194	5.8	123.4
Malaysia	(M$)	4.0540	+0.0053	522 - 558	4.0625	4.0419	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3451	+0.003	437 - 465	2.3512	2.3397	2.3472	-1.1	2.3518	-1.1	2.3695	-1.0	115.3
Philippines	(Peso)	43.0408	+0.0144	853 - 962	43.0982	42.9853	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1287	+0.0025	268 - 306	6.1438	6.1111	-	-	-	-	-	-	-
Singapore	(S$)	2.3272	+0.0055	260 - 283	2.3324	2.3198	-	-	-	-	-	-	-
South Africa	(R)	7.2273	-0.01	230 - 315	7.2441	7.1989	-	-	-	-	-	-	-
South Korea	(Won)	1409.42	-3.15	850 - 033	1412.38	1405.88	-	-	-	-	-	-	-
Taiwan	(T$)	44.9732	-0.0298	295 - 169	45.0778	44.8443	-	-	-	-	-	-	-
Thailand	(Bt)	42.3095	+0.0182	909 - 280	42.3890	42.1930	-	-	-	-	-	-	-

† Rates for Feb 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.7943	+0.0433	911 - 974	11.8160	11.7610	11.7736	1.5	11.7343	2.0	11.5393	2.2	103.6
Belgium	(BFr)	34.6000	+0.118	800 - 200	34.6550	34.4600	34.54	2.1	34.4125	2.2	33.8725	2.1	103.7
Denmark	(DKr)	6.3939	+0.0234	929 - 949	6.4027	6.3732	6.365	1.7	6.3656	1.7	6.2249	1.7	105.2
Finland	(FM)	4.9913	+0.0035	875 - 950	5.0106	4.9850	4.9825	2.1	4.9623	2.2	4.8613	2.2	82.7
France	(FFr)	5.6526	+0.017	520 - 532	5.6680	5.6337	5.6442	1.8	5.6262	1.3	5.5506	1.8	106.2
Germany	(DM)	1.6758	+0.0081	754 - 762	1.6793	1.6697	1.6729	2.1	1.6653	2.1	1.6421	2.0	105.1
Greece	(Dr)	261.710	+0.365	610 - 810	262.580	261.130	263.265	-7.1	265.835	-6.3	276.86	-5.9	66.5
Ireland	(I£)	1.5884	-0.0005	878 - 889	1.5940	1.5830	1.5879	0.3	1.5874	0.2	1.5867	0.0	-
Italy	(L)	1667.20	+10.8	650 - 790	1669.30	1656.31	1669.75	-1.8	1674.5	-1.5	1682.55	-0.9	76.2
Luxembourg	(LFr)	34.6000	+0.118	800 - 200	34.6550	34.4600	34.54	2.1	34.4125	2.2	33.9775	2.1	103.7
Netherlands	(Fl)	1.8843	+0.0066	840 - 846	1.8877	1.8774	1.8805	2.4	1.8725	2.5	1.837	2.5	103.3
Norway	(NKr)	6.6515	+0.0137	481 - 548	6.6900	6.6319	6.6478	0.7	6.6421	0.6	6.6165	0.5	102.3
Portugal	(Es)	168.200	+0.405	150 - 250	168.620	168.000	168.405	-1.5	168.7	-1.2	169.475	-0.8	95.2
Spain	(Pta)	141.935	+0.82	810 - 960	142.130	141.480	142.02	-0.7	142.125	-0.5	141.53	0.1	77.9
Sweden	(SKr)	7.4193	+0.0526	155 - 230	7.4253	7.3830	7.4165	0.5	7.4066	0.7	7.3532	0.9	85.9
Switzerland	(SFr)	1.4625	+0.0085	620 - 630	1.4648	1.4560	1.4587	3.2	1.4498	3.2	1.418	3.0	102.0
UK	(£)	1.6342	+0.0007	338 - 346	1.6383	1.6294	1.6333	0.7	1.6313	0.7	1.6222	0.7	97.6
Ecu	-	1.1581	-0.0033	575 - 586	1.1607	1.1564	1.1591	-1.1	1.1615	-1.2	1.1763	-1.5	-
SDR†	-	0.72180	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9993	-	-	-	-	-	-	-
Brazil	(R$)	1.0506	+0.0004	505 - 507	1.0507	1.0505	-	-	-	-	-	-	-
Canada	(C$)	1.3609	-0.0009	606 - 611	1.3630	1.3594	1.3585	2.1	1.3535	2.2	1.326	2.6	85.6
Mexico	(New Peso)	7.7540	+0.0055	490 - 530	7.7530	7.7470	7.872	-18.3	8.1355	-13.9	8.959	-16.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2871	+0.0036	867 - 875	1.2875	1.2867	1.2878	-0.7	1.2896	-0.5	1.2939	-0.5	98.8
Hong Kong	(HK$)	7.7447	-0.0003	442 - 452	7.7455	7.7442	7.7446	0.0	7.7451	0.0	7.7562	-0.1	-
India	(Rs)	35.8720	-0.003	470 - 970	35.8970	35.8470	36.087	-7.2	36.547	-7.5	-	-	-
Israel	(Shk)	3.3376	+0.0019	345 - 406	3.3406	3.3345	-	-	-	-	-	-	-
Japan	(Y)	121.985	-0.02	950 - 040	122.390	121.780	121.52	4.7	120.515	4.9	116.315	4.7	124.1
Malaysia	(M$)	2.4807	-0.0022	802 - 812	2.4812	2.4765	2.4836	-1.4	2.4893	-1.3	2.5102	-1.2	-
New Zealand	(NZ$)	1.4350	+0.0012	345 - 355	1.4359	1.4345	1.4373	-1.9	1.4416	-1.8	1.4623	-1.9	-
Philippines	(Peso)	26.3375	-0.0025	100 - 650	26.3650	26.3100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0001	500 - 505	3.7505	3.7500	3.7506	-0.1	3.751	-0.1	3.7529	-0.1	-
Singapore	(S$)	1.4241	+0.0028	237 - 244	1.4244	1.4207	1.4219	1.9	1.4173	1.9	1.3961	2.0	-
South Africa	(R)	4.4225	-0.008	210 - 240	4.4285	4.4080	4.4632	-11.0	4.5382	-10.5	4.853	-9.7	-
South Korea	(Won)	862.450	-2.3	100 - 800	863.500	861.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5200	-0.03	000 - 400	27.5400	27.5000	27.5201	0.0	27.5203	0.0	-	-	-
Thailand	(Bt)	25.8900	-	850 - 950	25.9060	25.8820	25.98	-4.2	26.1475	-4.0	26.765	-3.5	-

† SDR rate per $ for Feb 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 24: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

February 25	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	7.37
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.10	5.11	5.17	5.35	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 25	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	5¼ - 5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	7⅞ - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.67	96.65	-0.01	96.67	96.64	9,218	58,317
Jun	96.67	96.66	-	96.69	96.65	10,493	51,773
Sep	96.65	96.63	-	96.66	96.62	2,943	35,899

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr	96.80	96.79	-0.03	96.83	96.79	1492	6277
Jun	96.84	96.80	-0.04	96.85	96.79	43035	177466
Sep	96.76	96.73	-0.03	96.78	96.72	27936	158194
Dec	96.61	96.59	-0.02	96.84	96.57	25463	175610

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.73	96.74	-	96.75	96.73	695	18560
Apr	96.82	96.81	-0.01	96.82	96.81	220	4122
May	96.84	96.83	-	96.84	96.83	400	3787
Jun		96.83	-			0	430

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.83	92.79	-0.05	92.85	92.78	9590	78584
Jun	93.47	93.38	-0.10	93.50	93.35	22475	100609
Sep	93.80	93.68	-0.12	93.83	93.66	10674	50264
Dec	93.94	93.81	-0.12	93.95	93.80	5831	34481

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.28	98.27	-0.01	98.28	98.28	1581	30552
Jun	98.34	98.30	-0.03	98.34	98.29	3330	38618
Sep	98.25	98.22	-0.02	98.25	98.21	1333	14961
Dec	98.05	98.06	-0.02	98.08	98.05	605	10331

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.45	-			0	na
Jun		99.42	-			0	na
Sep	99.35	99.35	-	99.35	99.35	175	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.84	95.79	-0.05	95.85	95.78	997	10481
Jun	95.92	95.86	-0.04	95.92	95.86	656	6221
Sep	95.92	95.87	-0.03	96.92	95.90	259	4129
Dec	95.88	95.83	-0.02	95.88	95.84	420	4751

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9275	0.11	0.69	1.03	0.07	0.06	0.10
9300	0.02	0.49	0.82	0.23	0.11	0.14
9325	0.01	0.32	0.63	0.47	0.19	0.20

Est. vol. total, Calls 2279 Puts 360. Previous day's open int., Calls 0 Puts 0

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 25		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.34	4.843	1.820	4818	5.446	19.23	486.0	410.2	21.44	4.227	1.769	3.933	2.890	352.5	2.496
Denmark	(DKr)	54.11	10	8.839	2.620	0.985	2607	2.946	10.40	263.0	221.8	11.60	2.287	0.957	2.128	1.564	190.7	1.350
France	(FFr)	61.21	11.31	10	2.964	1.114	2949	3.333	11.77	297.5	251.1	13.12	2.587	1.083	2.406	1.769	215.8	1.528
Germany	(DM)	20.65	3.817	3.374	1	0.376	994.8	1.125	3.970	100.4	84.70	4.427	0.873	0.365	0.812	0.597	72.79	0.515
Ireland	(I£)	54.95	10.18	8.977	2.661	1	2647	2.992	10.56	267.1	225.4	11.78	2.323	0.972	2.161	1.588	193.7	1.371
Italy	(L)	2.076	0.384	0.339	0.101	0.038	100.	0.113	0.399	10.09	8.513	0.445	0.088	0.037	0.082	0.060	7.316	0.052
Netherlands	(Fl)	18.36	3.394	3.000	0.889	0.334	884.7	1	3.530	89.25	75.32	3.936	0.776	0.325	0.722	0.531	64.73	0.458
Norway	(NKr)	52.01	9.614	8.498	2.518	0.947	2506	2.833	10	252.8	213.3	11.15	2.199	0.920	2.046	1.503	183.3	1.298
Portugal	(Es)	20.57	3.803	3.361	0.996	0.374	991.3	1.120	3.956	100.	84.39	4.410	0.870	0.364	0.809	0.595	72.53	0.513
Spain	(Pta)	24.38	4.506	3.983	1.181	0.444	1175	1.328	4.687	118.5	100.	5.226	1.031	0.431	0.959	0.705	85.94	0.608
Sweden	(SKr)	46.65	8.622	7.621	2.259	0.848	2248	2.540	8.969	226.7	191.3	10	1.972	0.825	1.835	1.348	164.4	1.164
Switzerland	(SFr)	23.66	4.372	3.865	1.146	0.431	1140	1.288	4.548	115.0	97.03	5.071	1	0.418	0.931	0.684	83.39	0.590
UK	(£)	56.54	10.45	9.237	2.738	1.029	2724	3.079	10.87	274.8	231.9	12.12	2.390	1	2.224	1.634	199.3	1.411
Canada	(C$)	25.42	4.699	4.153	1.231	0.463	1225	1.384	4.888	123.6	104.3	5.450	1.075	0.450	1	0.735	89.61	0.634
US	($)	34.60	6.395	5.653	1.676	0.630	1667	1.884	6.652	168.2	141.8	7.417	1.463	0.612	1.361	1	122.0	0.864
Japan	(Y)	28.37	5.243	4.635	1.374	0.518	1367	1.545	5.454	137.9	116.4	6.081	1.199	0.502	1.116	0.820	100.	0.708
Ecu		40.07	7.406	6.546	1.940	0.729	1931	2.182	7.704	194.8	164.4	8.590	1.694	0.709	1.576	1.158	141.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5980	0.5969	-0.0016	0.5996	0.5963	49,842	90,079
Jun	0.6002	0.6000	-0.0018	0.6020	0.6000	1,027	7,092
Sep	-	0.6042	-	-	0.6042	250	2,425

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8208	0.8211	-	0.8233	0.8194	27,564	75,367
Jun	0.8326	0.8317	+0.0001	0.8340	0.8315	686	4,228
Sep	0.8440	0.8437	+0.0012	0.8440	0.8437	22	670

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6868	0.6851	-0.0023	0.6890	0.6840	18,427	50,880
Jun	0.6925	0.6914	-0.0024	0.6939	0.6914	511	3,362
Sep	-	0.6985	-0.0020	-	0.6985	4	1,698

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6340	1.6324	-0.0018	1.6372	1.6290	11,210	34,552
Jun	1.6320	1.6294	-0.0020	1.6356	1.6294	211	2,813
Sep	-	1.6260	-0.0018	1.6310	1.6260	1	1,091

UK INTEREST RATES

LONDON MONEY RATES

Feb 25	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Feb 21, 5.8591pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1997. Agreed rate for period Feb 26, 1997 to Mar 25, 1997, Scheme III 7.68pc. Reference rate for period Jan 1, 1997 to Jan 31, 1997, Schemes IV & V 6.408pc. Finance House Base Rate 6½pc from Feb 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.73	93.73	+0.01	93.74	93.73	7305	102138
Jun	93.57	93.57	+0.01	93.59	93.57	11404	124961
Sep	93.37	93.38	+0.02	93.40	93.37	7493	88145
Dec	93.24	93.25	+0.02	93.27	93.23	7488	57586
Mar	93.14	93.15	+0.02	93.17	93.14	1706	40146

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9350	0.24	0.18	0.17	0.01	0.11	0.29
9375	0.04	0.06	0.07	0.06	0.24	0.44
9400	0	0.01	0.03	0.27	0.44	0.65

Est. vol. total, Calls 8577 Puts 4101. Previous day's open int., Calls 0 Puts 0

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk.	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

EMS EUROPEAN CURRENCY UNIT RATES

Feb 25	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	196.108	+0.092	-0.65	2.68	4
Finland	5.85424	5.82657	-0.01405	-0.44	2.46	3
Ireland	0.796709	0.732923	-0.003971	-8.24	11.17	56
Spain	163.826	165.392	+0.238	0.99	1.05	-7
Netherlands	2.16979	2.19597	+0.00187	1.21	0.80	-9
Germany	1.92573	1.95315	+0.00114	1.42	0.56	-14
Denmark	7.34555	7.45163	+0.0038	1.45	0.56	-10
Austria	13.5485	13.7461	+0.0081	1.46	0.55	-11
Belgium	39.7181	40.3133	+0.0237	1.50	0.51	-11
Italy	1906.48	1944.66	+8.45	2.00	0.01	-15
France	6.45863	6.58862	+0.00155	2.01	0.00	-17
NON ERM MEMBERS						
Greece	295.269	305.277	-0.403	3.39	-1.33	-
UK	0.793103	0.712104	-0.004176	-10.21	13.62	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.600	3.66	4.18	-	0.27	0.88	1.51
1.610	2.86	3.48	-	0.47	1.10	1.88
1.620	2.35	2.85	3.47	0.71	1.54	2.26

Previous day's vol., Calls 1,552 Puts 536. Prev. day's open int., Calls 34,061 Puts 50,305

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
0.590	1.08	1.39	1.69	0.24	0.42	0.62
0.595	0.74	1.08	1.40	0.37	0.65	0.82
0.600	0.44	0.81	1.12	0.60	0.84	1.05

Previous day's vol., Calls 2,058 Puts 1,472. Prev. day's open int., Calls 33,284 Puts 31,974

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.51	94.50	-0.01	94.51	94.50	17,052	387,872
Jun	94.38	94.39	-	94.40	94.38	29,320	401,049
Sep	94.24	94.26	+0.01	94.26	94.24	46,488	299,364

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.04	95.03	+0.01	95.04	95.03	88	5,484
Jun	94.93	94.93	-0.01	94.94	94.93	22	3,599
Sep	-	94.80	+0.01	94.80	-	27	1,442

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
9675	0.04	0.08	0.10	0.12	0.02	0.03	0.05	0.07
9700	0	0.01	0.02	0.03	0.23	0.21	0.22	0.23
9725	0	0	0	0	0.48	0.45	0.45	0.45

Est. vol. total, Calls 8101 Puts 6900. Previous day's open int., Calls 0 Puts 0

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9850	0.02	0.06	0.10	0.25	0.26	0.38
9875	0	0.02	0.03	0.48	0.47	0.56

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

COMMODITIES AND AGRICULTURE

Technical factors seen behind rise in oil

MARKETS REPORT

By Peter John

Oil prices yesterday defied analysts who had expected the market to fall further, instead rising for technical reasons. Brent Blend for April delivery, the international benchmark, was trading at $19.68 yesterday evening on the International Petroleum Exchange in London, having closed at $19.12 a barrel on Monday.

However, dealers stressed that nothing fundamental had changed in the market. The rise was mainly technical, they said, and in the longer term the price was still heading downwards.

"There is a lot of interest in the April/May spread which has lifted everything," said one broker. "But the bounce is more technical than fundamental."

Gas oil prices on the IPE rallied in line with crude to end the day firmer. "Gas oil was not a prime mover today," said one trader. "It just followed crude. It rallied nicely near the end."

March and April contracts both ended $2 a tonne higher at $168.75 and $169.75 respectively.

IPE traders were waiting for the weekly stock figures due to be released late yesterday by the American Petroleum Institute.

"There is a feeling we need some news to move this market any more," said one trader. "It's done quite a wide range today, mainly on technicals."

Traders said any increase in stocks could lead to further price weakness.

They added that the slide in prices was actually exacerbating the supply problem. Iraq's deal to supply oil in return for humanitarian aid is based on value rather than volume and any fall in the value leads to an increase in volume.

Also, the mild weather has wrecked the hopes of investors speculating on heavy demand for heating oil.

On the London Metal Exchange copper drifted lower, in line with the trend on New York's Comex. Copper for three-month delivery closed at $2,350 a tonne, against $2,374 on Monday.

There was some support early in the day as the latest LME warehouse stocks data showed a 2,450 tonne fall in stocks of the metal.

Exchange inventories are still at historically low levels and some 37 per cent lower than at this time last year. This is underpinning prices, along with expectations of increasing copper consumption by the European and US construction sectors.

The big loser on the exchange was nickel, which failed to maintain its nine-month peak. The contract shrugged off concern about a possible strike at Norilsk Nickel, the giant Russian metals group. The price for three-month delivery ended the day sharply lower at $7,850 a tonne.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-6,976	to 901,260
Aluminium alloy	+140	to 73,400
Copper	-2,450	to 220,050
Lead	-575	to 106,475
Nickel	-66	to 45,750
Zinc	-1,400	to 475,200
Tin	+20	to 10,050

Avocet goes for gold in the 'Rim of Fire'

Some astnte geological detective work led to tbe discovery of the Penjom mine which Malaysia hopes will herald a renaissance of its gold mining industry.

The quest started in 1987 wben Mr David Crisp, a British geologist, was studying the so-called Rim of Fire, an arc of volcanic rocks containing scores of gold deposits stretching across the Pacific from Chile to eastern China and Japan.

He wanted to set up an exploration company to search for gold and decided Malaysia offered tbe best opportunities.

His attention was drawn to peninsular Malaysia, where gold mining began before the Portuguese occupation and production was so impressive it was dubbed "Aurae Chersonese" – the "gold peninsula".

Back in London, he found a Geological Society magazine with a description of the Penjom area – located 10km south-west of Kuala Lipis, the old provincial capital. The author described "seven miles of continuous gold workings". Mr Crisp believed there was a good cbance plenty of gold had been left behind and could be recovered using modern techniques.

His timing was good. The danger of Communist insurgency in Malaysia was waning, the government had relaxed restrictions on foreign ownership of Malaysian assets, and the Pahang state government, responsible for Penjom, was offering seven large blocks of land for exploration.

Mr Crisp raised some money from Canadian investors and acquired the mining rights to one of these blocks but only two weeks later, in October 1987, stock markets crashed around the world.

His search for more money led him to Mr Jocelyn Waller and Mr Nigel McNair Scott, two former executives of Anglo American Corporation of South Africa and its associate, Charter Consolidated.

Mr Waller was keen on mining gold in Malaysia as he bad worked there and was once on the Malaysian Mining Corporation board. They took over Mr Crisp's company, now called Avocet Mining. Mr Crisp still retains about £1m worth of Avocet shares and was present in February when the first gold was produced at Penjom.

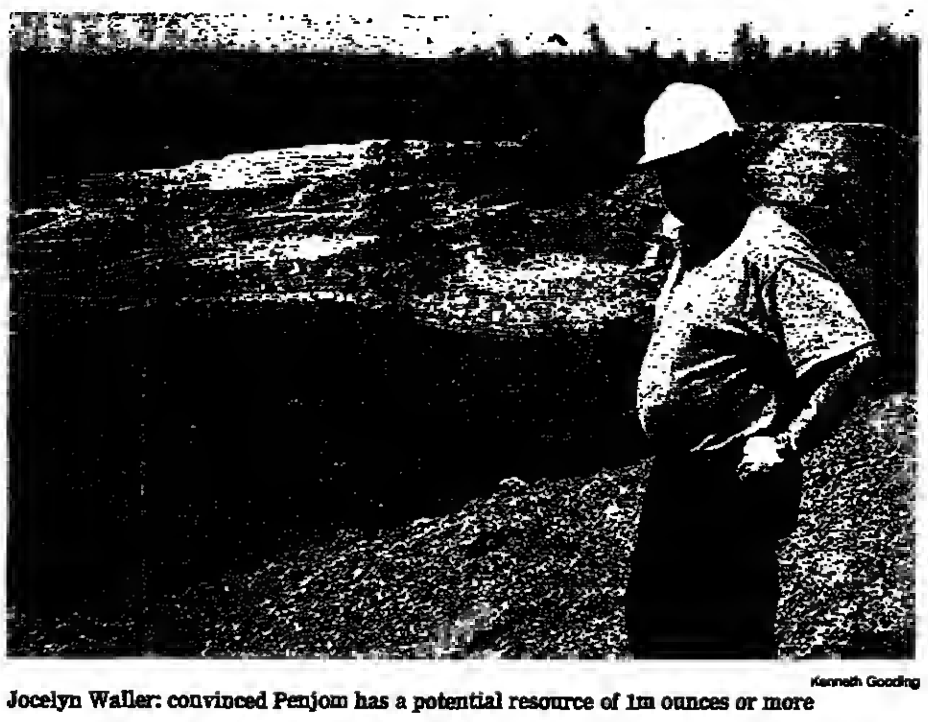
Avocet has spent about US$30m developing the first open pit and constructing a crushing and grinding plant.

Penjom is expected to prodnce up to 20,000 ounces of gold before the end of this financial year and 100,000 ounces in tha year from April 1. Output from the processing plant could be doubled with very little extra expenditure, according to Mr Masond Masoudi, the plant manager and metallurgist.

But just keeping pace with the plant's voracious appetite will be a serious challenge, says Mr Gordon Lewis, Penjom general manager.

He suggests Avocet took a very brave, even risky, decision to build the plant before it knew how much recoverable gold there was at Penjom. So far, the limits of the ore body have still to be outlined. Avocet is spending $500,000 a month on exploration and diamond drilling to complete this. "Every time we drill a hole we hit some gold mineralisation. It's very exciting," says Mr Lewis.

Mr Waller, Avocet managing director, is convinced there is a potential resource of 1m ounces or more, double tbe existing resource.



Kenneth Gooding

Jocelyn Waller: convinced Penjom has a potential resource of 1m ounces or more

This means Avocet does not know wbether it will stick to a plan to produce gold from three open pits or change tack and have one huge, "superpit," and whether to plan for eventual underground mining. Mr Lewis says Avocet has to make up its mind before the year-end.

In the meantime, be is concerned about spare parts for the plant and is still battling with Malaysian bureaucracy after 18 months for a blasting certificate and is having to use the services of a local quarrying company to break up the hard rock.

Mr Waller says Penjom is now generating cash flow and has drawn down only $4m of a $13m facility provided by Macquarie, the Australian bank. Cash operating costs are ahout $215 an ounce and Avocet has sold forward 200,000 ounces at an average of $385 an ounce.

Cash costs include a royalty of 5 per cent to the government and one of 2 per cent to the Pabang State Development Corporation for the mining rights.

Pahang's deputy chief minister, Dato Hasan bin Arifin, says: "We are not as concerned about the return in dollars as we are about developing a part of the state which is much less developed than the eastern part."

He says his government sees gold as "the key resource to develop the area". Penjom, which is providing employment for about 200, is a good first step. He hopes there will be two or three other mines in Pahang before 2000.

Kenneth Gooding

COMMODITIES NEWS DIGEST

Australian crop forecasts raised

Good harvesting conditions across most of Australia have led to a further increase in estimates for the size of the country's winter crops, whicb were already standing at record levels. Total production is now expected to reach 34.5m tonnes, according to the Australian Bureau of Agricultural and Resource Economics, the federal government-owned forecasting agency. This is some 4m tonnes above the previous record set in 1983-84, and more than 2m above what Abare was expecting in December.

The big surge in production has come in New South Wales, which was previously battling with the aftermath of the drought. Production there is expected to increase by 52 per cent to 10.47m tonnes, compared with 6.88m tonnes in 1995-96 and just 1.4m tonnes in 1994-95. Even so, this is set to be outstripped by Western Australia's production of around 11m tonnes.

The wheat crop alone is now forecast at 23.5m tonnes, 7 per cent higher than the previous record in 1983-84 and 6m tonnes more than in 1995-96. Plantings increased by 13 per cent but yields are estimated to have increased even more sharply, by 22 per cent. In both NSW and WA, protein levels are said to above average and quality good.

The two main summer crops – rice and cotton, which both depend on irrigated water supplies – are also expected to be at record levels in 1996-97. Rice production is estimated at 1.46m tounes, up 28 per cent from the previous record, and cotton at 2.43m bales, a 10 per cent increase on the previous high. *Nikki Tait, Sydney*

Flood of silver expected

This year will see a near record flood of silver on to world markets, said CPM, the New York based precious metals consultancy. It said silver will reach the end of an eight-year cycle of over-consumption that has seen the amount of new metal available fall to almost 200m ounces below the level of industry demand. Huge stocks of silver were built up in the 1980s but, according to CPM, more than 640m troy ounces were subsequently drawn from stocks.

In its latest review, CPM projects that the supply of silver, used mainly in photographic film, jewellery and silverware, will increase by 9.4 per cent to 570.6m ounces this year. Meanwhile demand will rise by only 2.8 per cent to 739m ounces. "At 570.6m ounces, total supply would be at the second highest level of annual supply in history, exceeded only by the 586.5m ounces of new supply in 1980," says CPM. Most of the new silver coming on to the market will reflect an 11 per cent upturn in mining to 400m ounces. *Peter John*

Rain hits Newcrest Mining

Newcrest Mining, the Australian goldminer, has been forced to suspend mining activities at its flagship Telfer mine, after "persistent" rain prevented the re-establishment of road access. The mine lies east of the Pilbara region of Western Australia, and Newcrest warned in early-February that it was scaling back operations because the access road had been cut. In the year to June 1996, Telfer produced 365,232 ounces of gold, ont of Newcrest's total equity production of 581,913 ounces. *Nikki Tait, Sydney*

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1618-18	1647.5-48.5
Previous	1621-2	1651.5-2.0
High/low	1628.5	1663/1641
AM Official	1628.5-29.0	1658-58.5
Kerb close		1642-43
Open int.	252,293	
Total daily turnover	107,893	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1525-30	1545-50
Previous	1535-40	1555-60
High/low		1565/1550
AM Official	1535-40	1555-60
Kerb close		1545-50
Open int.	5,827	
Total daily turnover	1,677	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	658.5-59.5	666-67
Previous	663.5-4.5	671-2
High/low		673/664
AM Official	661.5-62.0	670-70.5
Kerb close		663-64
Open int.	38,425	
Total daily turnover	9,403	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7825-45	7920-40
Previous	7985-95	8080-85
High/low		8125/7850
AM Official	7961-62	8060-61
Kerb close		7850-55
Open int.	50,735	
Total daily turnover	12,504	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5875-85	5935-40
Previous	5920-30	5965-90
High/low		5990/5910
AM Official	5925-30	5965-90
Kerb close		5915-20
Open int.	15,568	
Total daily turnover	4,045	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1192-93	1214.4-15.0
Previous	1195.5-6.5	1218.5-9.0
High/low		1222/1207
AM Official	1195-95.5	1217-17.5
Kerb close		1206-07
Open int.	66,913	
Total daily turnover	19,173	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2420.5-22.5	2356.5-57
Previous	2443-5	2374-5
High/low	2435/2430	2378/2348
AM Official	2430-35	2364-66
Kerb close		2348-50
Open int.	137,610	
Total daily turnover	61,938	

■ LME AM Official £/$ rate: 1.6371
LME Closing £/$ rate: 1.6343

Spot: 1.6328 3 mths: 1.6299 6 mths: 1.6271 9 mths: 1.6240

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	111.90	-2.35	113.40	111.00	211	937
Mar	111.45	-2.25	113.65	110.80	5,604	18,502
Apr	110.15	-1.55	111.85	109.30	21	2,161
May	109.25	-1.05	110.50	108.60	3,218	18,633
Jun	108.05	-0.45	108.75	107.50	10	882
Jul	106.55	-0.55	107.35	106.00	124	5,266
Total					9,434	80,495

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv	SFr equiv
Close	353.80-354.30		
Opening	352.10-352.40		
Morning fix	353.45	218.058	515.966
Afternoon fix	353.10	215.937	516.844
Day's High	353.70-354.00		
Day's Low	352.00-352.30		
Previous close	352.50-353.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.86 6 months 3.85
2 months ....3.86 12 months 3.95
3 months 3.86

Silver Fix	p/troy oz.	US cts equiv.
Spot	316.75	518.65
3 months	320.90	524.60
6 months	325.40	530.90
1 year	334.50	543.65

Gold Coins	$ price	£ equiv.
Krugerrand	352-354	215-217
Maple Leaf	-	-
New Sovereign	82-85	50-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	356.1	+0.9	355.5	354.3	580	767
Mar	355.7	+0.7	-	-	-	29
Apr	358.1	+0.9	357.1	353.9	16,574	82,629
Jun	358.1	+0.9	359.0	355.9	1,966	26,523
Aug	360.4	+0.9	360.8	358.1	297	10,863
Oct	362.8	+0.9	362.0	361.9	12	5,427
Total					21,475	183,880

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	381.8	+3.8	382.0	375.5	3,303	18,290
Jul	384.0	+4.1	384.0	379.0	61	3,368
Oct	386.0	+4.1	381.5	381.5	22	1,983
Jan	388.3	+4.1	385.0	385.0	2	1,114
Total					3,387	24,768

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	142.15	+1.80	142.25	140.75	1,361	3,092
Jun	144.25	+1.90	144.50	143.00	1,475	7,333
Sep	145.25	+1.90	143.75	143.75	10	403
Dec	146.40	+1.90	-	-	-	114
Total					2,848	10,942

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	522.5	+2.9	-	-	14	-
Mar	522.7	+2.7	523.0	516.0	17,686	32,054
May	527.7	+2.7	528.5	521.0	10,415	36,099
Jul	532.6	+2.7	532.0	526.5	1,351	9,654
Sep	537.3	+2.8	537.0	532.0	245	3,278
Dec	544.3	+2.9	544.0	538.5	381	5,461
Total					29,758	93,177

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	21.25	+0.54	21.27	20.68	52,626	92,729
May	20.82	+0.46	20.83	20.40	17,947	46,263
Jun	20.71	+0.44	20.71	20.27	9,626	39,192
Jul	20.40	+0.30	20.42	20.10	4,681	19,418
Aug	20.19	+0.22	20.30	20.06	2,281	16,541
Sep	20.10	+0.24	20.13	20.00	2,824	15,490
Total					104,506	381,286

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	19.70	+0.58	19.89	19.09	22,765	81,063
May	19.37	+0.46	19.37	18.98	12,793	36,531
Jun	18.95	+0.18	19.13	18.88	3,253	20,825
Jul	18.96	+0.25	18.96	18.75	2,456	13,003
Aug	18.79	+0.14	18.80	18.70	1,278	4,442
Sep	18.70	+0.09	18.75	18.60	1,351	5,918
Total					44,971	169,171

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	56.75	+1.28	56.75	55.45	14,795	26,577
Apr	55.40	+0.81	55.50	54.50	10,897	30,793
May	54.80	+0.86	54.65	53.65	3,728	11,271
Jun	54.55	+0.96	54.65	53.80	2,347	9,254
Jul	54.75	+0.91	54.90	54.40	1,788	9,134
Aug	55.35	+0.96	55.60	55.25	1,509	5,467
Total					38,037	117,794

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	168.75	+2.00	169.75	163.50	10,394	22,346
Apr	169.75	+2.00	170.25	165.00	5,802	12,592
May	170.00	+1.00	170.50	169.25	316	6,600
Jun	171.00	+1.00	171.00	170.00	852	8,612
Jul	172.00	+0.75	172.00	171.50	111	3,320
Aug	173.25	+0.50	173.00	173.00	50	1,214
Total					17,285	64,691

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	1.740	-	1.950	1.680	47,746	4,709
Apr	1.850	+0.035	1.870	1.615	16,156	31,657
May	1.875	+0.010	1.895	1.855	3,731	18,785
Jun	1.910	-	1.930	1.900	1,954	10,714
Jul	1.945	-0.025	1.955	1.925	824	10,529
Aug	1.965	-0.020	1.980	1.950	715	8,539
Total					76,498	158,498

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	61.90	+1.66	61.90	60.20	8,943	20,931
Apr	63.30	+1.47	63.30	61.90	12,746	33,588
May	63.05	+1.22	63.20	61.93	3,389	17,609
Jun	62.30	+1.02	62.50	61.50	2,705	10,898
Jul	61.70	+1.57	61.70	61.15	659	5,685
Aug	60.00	+1.17	60.00	58.90	174	4,138
Total					29,700	96,052

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	94.20	-0.35	93.90	93.75	82	300
May	97.20	-0.40	97.25	96.75	407	3,131
Jul	99.20	-0.40	98.00	98.85	65	640
Sep	92.50	-0.25	-	-	-	33
Nov	94.50	-0.25	94.50	94.45	79	1,681
Jan	96.50	-0.25	96.45	96.45	20	265
Total					653	6,065

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	377.00	+2.00	378.00	368.00	9,685	11,615
May	577.00	+3.25	377.00	368.00	9,359	22,083
Jul	362.25	-1.00	363.00	355.00	16,230	32,641
Sep	363.00	-3.00	364.00	357.50	334	2,889
Dec	372.25	-3.75	372.50	367.50	365	2,654
Mar	371.50	-5.50	373.00	371.00	13	48
Total					35,9767	2,128

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	293.25	+4.25	293.50	287.25	30,961	65,524
May	293.75	+4.00	294.50	287.50	40,077	134,456
Jul	293.00	+2.75	294.50	287.25	28,321	94,951
Sep	284.75	+2.50	285.25	278.50	1,424	12,825
Dec	282.25	+2.75	282.50	276.75	7,851	59,235
Mar	287.75	+3.25	287.75	282.00	153	4,857
Total					106,818	375,884

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	91.80	-0.40	92.00	92.00	17	161
May	92.70	-0.55	92.40	92.40	3	135
Sep	91.00	-0.35	-	-	-	28
Nov	93.00	-0.35	93.00	93.00	-	333
Jan	95.00	-0.35	94.75	94.75	-	22
Total					20	679

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	791.00	+15.00	793.00	773.00	20,280	35,550
May	794.00	+15.50	796.00	775.50	34,481	64,348
Jul	793.50	+15.00	795.50	776.00	10,856	44,835
Aug	788.00	+13.25	788.50	770.00	1,026	7,386
Sep	742.00	+6.75	745.00	733.00	300	2,840
Nov	708.50	+5.25	710.00	700.00	3,579	23,745
Total					70,538	180,058

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	24.03	+0.33	24.08	23.64	9,231	22,257
May	24.45	+0.34	24.53	24.05	8,351	33,789
Jul	24.85	+0.35	24.88	24.46	4,757	18,700
Aug	24.98	+0.33	25.00	24.60	835	3,874
Sep	25.10	+0.31	25.05	24.92	46	2,728
Oct	25.20	+0.25	25.15	24.95	92	1,051
Total					24,582	89,311

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	261.3	+4.9	261.5	253.7	10,646	26,328
May	255.6	+5.0	256.5	248.8	10,942	35,356
Jul	252.4	+5.1	252.7	245.7	5,007	25,481
Aug	248.5	+5.2	249.2	242.0	1,329	5,581
Sep	240.5	+4.8	240.5	234.5	150	3,338
Oct	225.0	+1.2	226.0	223.3	126	1,581
Total					28,656	104,362

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	58.5	-	-	-	-	-
Apr	63.0	-	64.0	63.5	16	1,031
May	71.5	+1.0	71.0	71.0	2	169
Jun	78.5	+1.0	-	-	-	-
Nov	65.0	-	-	-	-	2
Apr	113.0	+1.0	112.0	109.9	15	662
Total					77	1,864

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	1460	-	1460	1460	2	291
Mar	1540	+5	1540	1535	31	660
Apr	1550	+10	1550	1542	13	1,256
Jul	1275	-5	1275	1275	11	647
Oct	1420	-	-	-	-	213
Jan	1430	-	-	-	-	49
Total					47	3,118

	Close	Prev
BFI	1460	1463

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	848	+7	849	841	2,603	12,199
May	874	+7	876	865	3,714	29,462
Jul	894	+8	895	886	346	13,546
Sep	914	+8	914	907	86	14,488
Dec	931	+7	931	925	630	18,403
Mar	951	+7	950	943	388	20,693
Total					7,868	129,568

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1238	+8	1240	1230	101	851
May	1279	+9	1291	1265	5,718	36,778
Jul	1310	+8	1320	1298	559	18,730
Sep	1340	+8	1340	1329	247	10,771
Dec	1373	+8	1377	1362	78	8,069
Mar	1401	+7	1410	1390	779	13,519
Total					7,404	92,241

■ COCOA (ICCO) (SDR's/tonne)

Feb 24	Price	Prev. day
Daily	n/a	990.23

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1525	+15	1537	1485	2,324	7,971
May	1545	+17	1561	1502	3,047	21,664
Jul	1565	+15	1580	1523	772	9,508
Sep	1583	+13	1568	1524	138	3,841
Nov	1581	+13	1565	1528	58	1,615
Jan	1561	+13	1562	1538	20	217
Total					6,363	44,827

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	174.15	+0.70	175.50	172.20	593	3,887
May	163.25	+1.60	165.40	160.85	4,963	22,484
Jul	156.35	+1.20	158.00	154.25	791	7,240
Sep	149.25	+0.50	151.00	148.00	316	3,751
Dec	139.05	+0.55	140.50	138.00	133	2,743
Mar	130.05	-	133.00	132.50	29	583
Total					8,800	40,835

■ COFFEE (ICO) (US cents/pound)

Feb 24		Prev. day
Comp. daily	122.37	122.77
15 day average	120.29	119.33

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	306.1	-2.0	307.7	305.5	1,076	13,194
Aug	305.7	-1.7	307.0	305.3	516	3,358
Oct	301.6	-1.1	302.8	301.0	232	2,733
Dec	301.6	-0.2	301.0	301.0	31	693
Mar	301.9	+0.4	301.4	301.0	36	538
May	301.7	+2.7	301.7	301.7	-	159
Total					1,883	20,362

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.80	-0.12	10.90	10.78	11,769	18,016
May	10.83	-0.07	10.92	10.81	12,549	65,241
Jul	10.63	-0.03	10.68	10.58	1,918	30,833
Oct	10.61	-0.02	10.66	10.57	890	22,469
Mar	10.60	-0.02	10.65	10.55	497	9,196
May	10.61	-0.02	10.59	10.59	51	1,728
Total					27,480	148,380

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	74.37	+1.17	74.60	73.40	1,257	1,116
May	75.96	+0.74	76.40	75.35	4,023	34,735
Jul	77.12	+0.70	77.45	76.80	723	11,688
Oct	77.25	+0.50	77.50	77.15	48	1,390
Dec	77.38	+0.50	77.40	76.80	393	13,326
Mar	77.63	+0.18	78.00	77.65	11	1,056
Total					8,456	64,073

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	79.80	+0.05	80.30	79.20	2,532	6,373
May	81.85	+0.15	82.20	81.20	2,735	11,326
Jul	84.75	-0.15	85.40	84.40	481	4,488
Sep	87.55	-0.25	87.90	87.25	88	3,328
Nov	89.30	-0.50	89.75	89.50	13	566
Jan	91.30	-0.50	91.55	91.50	23	323
Total					5,958	26,668

Minor Metals

European free market, from Metal Bulletin. $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 2,250-2,425 (2,280-2,425). Bismuth: min. 99.99%, tonne lots 2.80-3.15 (2.95-3.25). Cadmium: min. 99.95%, cents a pound, 65.00-73.00 (65.00-75.00). Cobalt: MB free market, min. 99.8%, 18.90-20.30 (19.50-21.00); min. 99.3%, 17.35-17.80 (18.00-18.50). Mercury: min. 99.99%, $ per 76 lb flask, 161-171. Molybdenum: drummed molybdic oxide, 4.50-4.70 (4.75-4.90). Selenium: min 99.5%, 2.40-3.30. Tungsten ore: standard min. 65%. $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, cif, 3.80-4.00. Uranium: Nuexco unrestricted exchange value, 12.80.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 25	Feb 24	month ago	year ago
1976.9	1982.6	1982.5	2136.9

■ CRB Futures (Base: 1967 = 100)

Feb 24	Feb 21	month ago	year ago
240.06	241.23		

■ GSCI Spot (Base: 1970 = 100)

Feb 24	Feb 21	month ago	year ago
188.69	192.45	207.46	195.65

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	68.100	-	68.250	67.600	14	41
Apr	69.950	+0.225	70.250	69.750	11,563	44,768
Jun	64.950	-0.300	65.450	64.825	3,182	19,600
Aug	64.300	-0.400	64.875	64.250	2,085	19,203
Oct	68.175	-0.400	68.775	68.100	1,536	13,294
Dec	70.325	-0.300	70.900	70.275	877	4,902
Total					19,445	104,288

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	74.475	-0.175	74.750	73.950	6,685	16,111
Jun	79.900	-0.650	80.375	79.675	3,772	10,356
Jul	78.100	-0.750	78.650	77.650	627	2,338
Aug	74.650	-0.675	75.050	74.350	813	2,389
Oct	67.325	-0.450	67.750	66.800	199	1,536
Dec	65.300	-0.225	65.500	65.000	159	842
Total					12,373	34,027

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	77.000	-0.500	79.400	76.300	50	186
Mar	77.025	-0.3	78.600	76.775	453	2,090
May	78.350	+0.075	79.500	78.100	663	3,793
Jul	77.250	+0.2	78.750	77.100	71	829
Aug	74.950	+0.350	77.450	74.500	29	531
Total					1,266	7,429

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1600	31	85	9	36
1625	17	70	20	48
1650	6	57	35	58
■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
2300	107	101	3	82
2350	64	79	10	119
2400	32	51	27	150
■ COFFEE LIFFE	May	Jul	May	Jul
1500	114	178	69	113
1550	89	153	94	138
1600	69	132	124	167
■ COCOA LIFFE	May	Jul	May	Jul
800	77	97	3	3
825	58	76	7	7
850	38	57	14	13
■ BRENT CRUDE IPE	Apr	May	Apr	May
1950	-	-	42	-
2000	25	40	-	-
2050	15	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.82-7.88w	+0.220
Brent Blend (dated)	$20.14-2.18	+0.350
Brent Blend (Apr)	$19.63-9.65	+0.180
W.T.I.	$21.24-1.27w	+0.245

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$208-210	+1
Gas Oil	$169-170	+1
Heavy Fuel Oil	$90-92	
Naphtha	$204-206	-1
Jet fuel	$194-195	+1.5
Diesel	$183-184	+0.5

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	9.65	+0.65

Petroleum Argus. Tel. London (0171) 359 8792

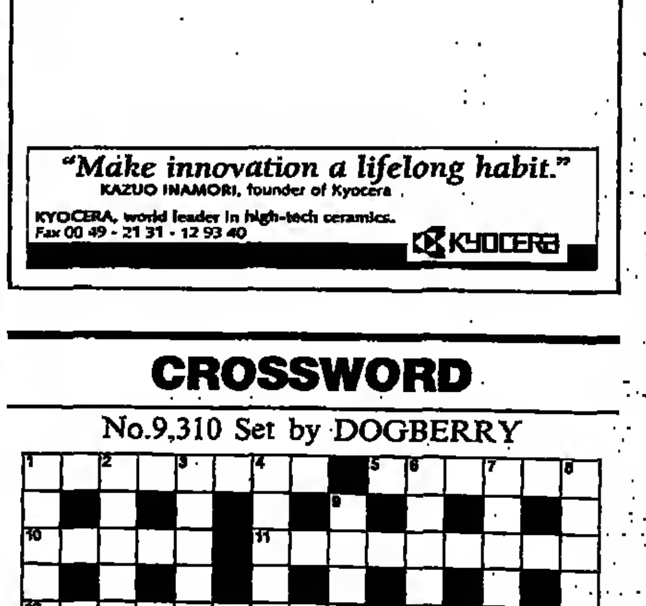
■ OTHER

Gold (per troy oz)♣	$354.05	+1.30
Silver (per troy oz)♣	521.00c	
Platinum (per troy oz.)	$372.75	+0.25
Palladium (per troy oz.)	$140.00	+1.00
Copper	118.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.49r	-0.01
Tin (New York)	274.50	-5.00
Cattle (live weight)	102.34p	-0.60*
Sheep (live weight)	143.82p	+1.66*
Pigs (live weight)†	82.85p	+3.08*
Lon. day sugar (raw)	$256.60	-0.90
Lon. day sugar (wte)	$310.90	+0.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Mar)♥	79.50p	
Rubber (Apr)♥	79.50p	
Rubber (KL RSS No1)	301.5x	-2.0
Coconut Oil (Phil)§	780.0y	
Palm Oil (Malay.)§	567.5x	+2.5
Copra (Phil)§	$482.5y	
Soyabeans (US)	215.0x	
Cotton Outlook'A' index		
Wooltops (64s Super)	418p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Mar w Apr y Feb/Mar♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 578 head of pigs sold.

CROSSWORD

No.9,310 Set by DOGBERRY



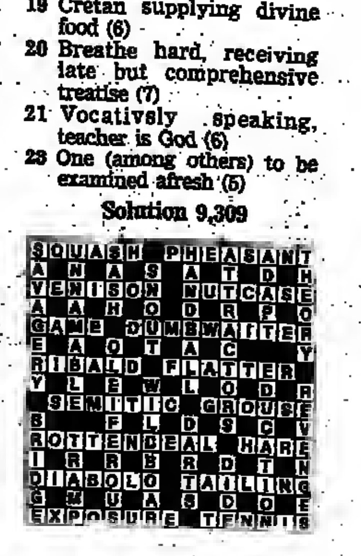
ACROSS

1 With regard to the metric system, double gets left over (6)
5 Calculator for a god with no church (6)
10 Tawdry ambassador infiltrating summit (5)
11 Price reduction involving professional villain (9)
12 Grace is to accept student playing a piece of Chopin (9)
13 Lived by backing dirty trollop, initially left (7)
14 Light cattle, about 550 (6)
15 Small number had fun turning left (7)
18 Stomach giving terribly bad sign (7)
20 Secretary to girl in film (6)
22 Island featured in Prufrock's reflection (5)
24 Cheat missions of victories (9)
25 Couple drinking wine about to chew (9)
26 Bleak medic getting attention (5)
27 There's no score without a record-keeper (6)
28 Overcast and lead-free? (8)

DOWN

1 Ready to introduce community to chef's instructions (6)
2 To use money to cover incorrect bill may fascinate (9)
3 Author's unread? Read him up, quickly! (6,2,7)
4 Carrier of type of crack getting head blown off (7)
6 Sensational to-do: handout's in error (5-3-7)
7 Hunger for king in hole (5)
8 Squadron leader, devious, about to dine in torrid fashion (8)
9 Lecture on raising hot mushrooms containing additive (6)
16 Penalty for admitting topless nun to weather station (9)
17 Sentry and churchman pursuing Tyler (8)
19 Cretan supplying divine food (6)
20 Breathe hard, receiving late but comprehensive treatise (7)
21 Vocatively speaking, teacher is God (6)
23 One (among others) to be examined afresh (5)

Solution 9,309



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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)					
4 Rue Jean Monnet, L-2180 Luxembourg 352 424949335					
Latin America Equity		$59.23	61.13	—	-
North America Equity		$58.62	60.07	—	-
Asian Tigers Equity		$57.01	67.58	—	-
Europe Equity		$81.71	82.12	—	-
Germany Equity		DM139.09	139.45	—	-
Japan Equity		¥44.09	44.53	—	-
Europe Bond		$63.17	63.33	—	-
US Bond		$59.92	60.07	—	-
Global Bond		$62.34	62.60	—	-
Germany Bond B		DM172.09	172.29	—	-
Spain Bond		Pta10400	10484	—	-
Eastern Europe Equity F		[illegible]	238.88	—	-
China Equity F		$57.02	57.88	—	-
Switzerland Equity		SFr143.72	144.44	—	-
Abtrust Fund Mngrs Luxembourg SA (u)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227001					
Abtrust Atlas Fund					
Global Cap Portfolio		$3.569		+0.005	-
United States Portfolio		$5.035xd		+0.027	-
Global Europe Portfolio	0	DM7.865		-0.016	-
Japan Portfolio		$0.597		-0.005	-
Pacific Portfolio		$8.721		+0.005	-
Gold Portfolio		$6.622		+0.010	-
UK Growth of Income		£2.2730		-0.004	3.61
Dollar Portfolio		$1.803		—	7.03
Sterling Portfolio		£1.006		—	6.30
Asian Master Fund (u) (x)					
21 avenue de la Liberte, L-1931, Lux. 00 352 2954 941					
Australasian NAV		A$17.48		+0.03	-
Austrian Nat NAV		Sch87.38		+0.11	-
Belgo/Lux NAV		BFr694.53		+1.30	-
Dutch Nat NAV		Dfl47.78		+0.01	-
French Nat NAV		FFr148.95		-0.07	-
German Nat NAV		DM20.78		-0.01	-
Hongkong Nat NAV		HK$135.71		-0.47	-
Italian Nat NAV		L13846		-62	-
Japanese Nat NAV		Y1184		+2	-

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Funds - Contd.					
Bond Funds					
European		Ecu11.92		—	5.85
International		$1.032		+0.005	5.40
US Dollar		$6.052		-0.002	5.85
Sterling		£0.2577		-0.0001	7.00
Balanced					
European Balanced		DM14.56		-0.02	1.82
Prices as at February 24					
Fleming Group (u)					
6 Route De Treves L-2633 Senningerberg Luxembourg					
00 352 34101 or 0800 960 294					
Internet: http://www.flemings.lu/					
Fleming Flagship Fund (daily dealing)					
FFF American		$38.12	61.40	+0.37	-
FFF Asian Fledgling F		$64.12	67.94	+0.04	-
FFF Asian Smaller Cos F		$10.85	11.48	+0.04	-
FFF China		$15.85	16.78	+0.22	-
FFF Continental Europe F		DM43.45	45.86	+0.23	-
FFF DM Balanced F	5	DM11.75	12.43	+0.07	-
FFF DM Bond	3	DM11.58	11.90	—	6.50
FFF Eastern European F.		DM31.70	33.53	-0.12	-
FFF Eastern Opps		$23.74	25.11	+0.22	-
FFF Emerging Markets F		$10.52	11.13	+0.05	-
FFF European		DM43.10	45.60	+0.36	-
FFF European Smlr Cos F.		DM26.16	27.68	+0.20	-
FFF Global Conv F		$18.27	19.33	+0.02	-
FFF India H		$8.80	9.19	+0.04	-
FFF Intl Bond F		$13.72	14.51	—	-
FFF Intl Equity F		[illegible]	85.24	+0.69	-
FFF Japanese		$14.48	15.32	+0.06	-
FFF Japanese Smaller Cos F.		$5.87	6.20	+0.06	-
FFF Latin American		$13.70	14.49	+0.19	-
FFF Pacific		$21.34	22.57	+0.09	-
FFF Sterling Bond		£1.084	1.147	-0.001	7.00
FFF UK Enterprise		£5.61	5.93	+0.01	-
FFF US Discovery		$44.65	47.23	+0.06	-
Fleming Flagship Series 0 (Daily Dealing)					
DM Class F		DM12.408		+0.001	2.81
FFr Class F		FFr64.079		+0.005	2.88
ITL Class F		L22013		+3.000	8.42
£ Class F		£5.304		+0.001	5.64
US$ Class F		$11.563		+0.004	5.17

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+ or -	Yield Gross
Old Mutual International (Guernsey) Ltd				
Sun Alliance International Life				
PO Box 77, Les Echelons Ct, St Peter Port, Gsey 01481 714108				
US Dollar Global Managed	$2.22	2.40	—	-
Stg Global Managed	£2.18	2.30	—	-
Sun Life International (IOM) Ltd				
Bridge House, Castletown, Isle of Man				
Appreciation Managed	$1.448		—	-
Balanced Managed	$1.349		—	-
Defensive Managed	$1.392		—	-
Sterling Income	$1.244		—	-
Sterling Guaranteed Money	£1.257		—	-
Offshore Deferred Distribution	$1.461		—	-

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
ATSP Management Ltd				
Philippines Long Term Equity				
NAV Jan 31		$43.02	—	-
AXA Asset Management				
AXA Valeurs	FFr200.232		—	-
AXA Europe Actions Cap	FFr254.290		—	-
AXA Europe Actions Dist	FFr235.290		—	-
AXA MPI Cap	FFr152.718		—	-
AXA MPI Dis	FFr152.715		—	-
Apex Bank & Trust Company				
GCM Intl Equity (GEC)	$1152.09		—	-
GCM Intl Equity (GEC)	$132.54		—	-
Acciones y Valores de Mexico SA de CV				
Accival Feb 24		Pesos94.95	+0.17	0.25
Africa Emerging Markets Fund				
NAV Jan 15		$12.80	—	-
Agribusiness Fund Management Co				
ABC Bond		$10.80		
Class		$7.11		

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣	450	+7½	503	407½	4,671	6.6	13.6
Bulmer (HP)	♣†	620	+2½	625	477	327.4	2.7	18.5
Burn St Dist	†	68½	—	131	63½	40.6	6.2	72.8
Glenmorangie A	†	985	+15	985	615	134.0	1.6	26.8
B	†	1125	+20	1125	868	45.8	0.7	67.2
Grand Met	♣	477xd	+4½	496	411	10,026	4.2	15.4
Guinness	♣†	470	+1	491	424	9,388	4.1	14.6
Highland	♣	357½	—	380	320	458.8	2.8	17.0
5¾pc Cnv Bds		97¼	—	161½	94¼	–	–	–
Kirin Y		519¼	+4½	679¼	503¼	5,484	1.2	20.5
Matthew Clark	♣†	383½xd	+3	808	255½	259.6	9.5	14.5
Merrydown	♣†	107½	–1	141	91½	11.7	5.3	14.5
Seagram C$		£24½	—	£25¼	£20½	6,784	1.8	–

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

ENGINEERING - Cont.

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Triplex Lloyd	♣	183½	—	212½	139	127.1	4.5	10.9
Turnpike		13¾	—	18	9½	3.00	4.5	15.2
Tyzack Precision	♣	75½	—	84½	38	12.4	5.0	8.5
Ultra Electronics	♣W	307½	–1	332½	282½	198.8	2.6	20.8
Unicorn Intl	♣W	167½	—	167½	134	61.9	4.1	14.9
United Industries		65½	—	82½	47½	29.3	4.3	10.7
Vickers	♣†	273	+0	302	241	918.9	3.2	16.8

[illegible]

GAS DISTRIBUTION

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
BG	♣LW	178¼	....	188½	134	7,898	10.2	32.3
For Centrica see under London Recent Issues page 47								
International Energy	♣†	81½	....	101	84½	51.8	4.8	11.6

HEALTH CARE

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£24½		[illegible]	£20¼	1,968	3.1	ϕ
Barlow		93½xd		[illegible]	[illegible]	1,387	2.7	14.1
Gold Flds Prop R	†	145½	-36	171½	120	14.9	6.2	10.8
MK Props.		68	...	95	60	2.61	13.6	-
SASOL		645	...	710	573	3,777	1.7	-
SA Brews		£19½xd		£24½	£13¾	5,090	1.8	ϕ
Standard Bank		£28¼		£31½	£21	3,024	1.1	22.3
Tiger Oats		790		1150	770	1,188	3.3	15.4
Tongaat-Hulett		749½		1125	676¼	709.8	2.4	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. h Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield includes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. ϕ Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

FTSE 100 falls short of new intra-day record

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London took a strong role in a general Europe-wide advance yesterday. Two out of the three main FTSE indices hit new all-time intra-day and closing highs and the other. the FTSE 100, moved to within five points of its previous intra-day best.

Once again it was Wall Street which provided the initial thrust for London, after the Dow Jones industrial average passed 7,000 again on Monday, although the latest batch of important company results generally helped to reassure investors.

The early flush of enthusiasm among investors began to wear out, however, especially when Wall Street moved down 20 points at the start of yesterday's trading session.

At the close, the FTSE 100 index was 13.6 higher at 4,344.7. The FTSE 250, meanwhile, finished a good day for the second liners up a net 23.1 at a record intra-day and closing level of 4,665.0. The SmallCap index also settled at all-time records, finishing the session 2.9 up at 2,352.3.

Senior marketmakers adopted a cautious but not overly bearish stance towards the market. The head trader at one hig European securities house said there was plenty of room for concern about the forthcoming Humphrey Hawkins testimony to be delivered to Congress hy Mr Alan Greenspan, chairman of the US Federal Reserve, and also tomorrow's hy-election in Wirral South.

"There is the chance that Mr Greenspan might throw another irrationally exuberant bombshell at the market hut he has already had the chance of wrongfooting markets when he could have pushed for a rise in US interest rates," said one dealer.

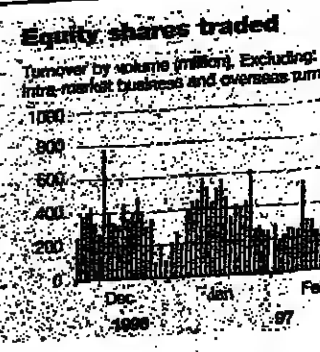
He also pointed out that the Wirral hy-election could produce an upset for the market if, for instance, the Conservatives show signs of a sharp improvement in popularity. "The market has already factored in a Labour victory in the election and a strong showing hy the Tories might be interpreted as an early indicator of the potential for a hung parliament, which will not he well received," he said.

On the other side of the coin, the hig investing institutions were said to have been pushing more cash into the market, responding to recent market forecast upgrades by stockbrokers, such as Merrill Lynch and ABN-Amro Hoare Govett.

Brokers said the low interest rate environment, the encouraging level of cash generation and evidence that the leading companies have strengthened their balance sheets are all seen as positive for share prices. The emergence of a series of sizeable rights issues might be the signal for a sell-off, one said.

Retailers responded to a push from Dresdner Kleinwort Benson, with Marks and Spencer and Next the best two Footsie performers. NatWest shares, moved in the opposite direction, however, after disappointing the market with its preliminary results.

Turnover at 6pm was 821.6m shares. The value of customer husiness on Friday was £2.55bn; Monday's trading valuation was not available yesterday.



Indices and ratios

FTSE 100	4344.7	+13.6
FTSE 250	4665.0	+23.1
FTSE 350	2149.2	+7.6
FTSE All-Share	121.62	+7.10
FTSE All-Share yield	3.52	3.52

FT 30	2881.1	+12.8
FTSE Non-Fins p/e	18.46	18.40
FTSE100 Fut Mar	4330.0	+2.0
10 yr Gilt yield	7.18	7.19
Long gilt/equity yld ratio	2.10	2.10

Best performing sectors

1 Tobacco .... +2.3
2 Retailers: General .... +1.3
3 Household Goods .... +1.1
4 Alcoholic Beverages .... +1.0
5 Extractive Industries .... +1.0

Worst performing sectors

1 Oil Exploration & Prod .... -0.8
2 Oil: Integrated .... -0.7
3 Mineral Extraction .... -0.5
4 Electricity .... -0.3
5 Health Care .... -0.3

NatWest under pressure

By Joel Kibazo, Lisa Wood and Steve Thompson

Banking group National Westminster was friendless yesterday after the UK clearer disappointed the market by reporting figures at the bottom end of analysts' expectations.

The shares retreated to close 36 lower at 776½p, the sharpest fall in the FTSE 100, with some 18m having been traded by the end of the day. "These results make those of Barclays look smart," said one salesman.

Some dealers were particularly disappointed that Natiooal WestMinster did not announce a share huy-back, while others pointed to the dividend, with one saying "National Westminster did oo more than meet targets".

However, the main talking point was the growth in costs at the group, and Mr Simon Willis at Charterhouse Tilney predicted that "cost growth over the next two years will be higher than expected".

Following the general trend in the market, Mr Willis downgraded his year profits estimate hy £100m to £1.85bn. He also advised clients switch out of the stock and into Barclays.

Followers of Barclays welcomed the advice and shares in the group jumped 26 to 1122p. Volume was 10m.

EMI Group fell 36p immediately after the news of weak nine-month results, hut recovered to close at 1,197½p, for a net gain of 4½. The market gained confidence in the stock after the group emphasised the positive prospects for the fourth quarter and the full year.

A slower album release schedule, a downturn in the North American market and the stronger pound cut sales and earnings in the nine months ended December 31. But EMI claimed that a strong fourth-quarter release schedule would overcome the third-quarter weakness.

EMAP continued to fall, softening 12½ to 773p in the wake of the headhunting of Mr David Arculus, its managing director, by United News & Media. The market was not impressed hy the news that Mr Robin Miller, Emap's chief executive, had bought 2,500 shares at 784p. One analyst quipped that Mr Miller obviously thought that Mr Arculus was no loss hut the market thought otherwise.

Reed International softened 2½ to 1,144p as sterling continued to strengtben against the dollar, while Renters weakened 5½ to 666½p, probably again because of currency concerns.

WPP Group, which is currently making presentations to institutions following good results last week, hardened 15 to 268½p.

Scottisb Television rose 7½ to 637½p after wbat analysts described as a good set of results.

Guardian Royal Exchange shares hlew hot and cold during a busy trading session, at one point topping the FTSE 100 performance table but ending a oet 4½ down on the day.

The stock initially improved on the back of well received preliminary figures, including a better-tban-expected dividend total. But at the post-results meeting with analysts the company hinted at the possibility of acquisitions, and was oot forthcoming ahout share buy-backs.

Commercial Union also came under pressure late in the session as some traders became uneasy ahead of the preliminary numbers dne today. "There is a worry that the net asset valuation might disappoint," said one specialist. CU shares finished 11 off at 690p.

Thorn was the worst performing stock in the FTSE 250, falling 13½ to 189½p as a number of hrokers, including BZW and UBS, reiterated their "sell" recommendations following interim results earlier this week.

NatWest Securities however reiterated its "add" recommendation on the stock. Mr John Richards, its retail analyst, said his 1998 pre-tax forecast remained down at £160m but said some comfort could be drawn from changes in management priorities. He said: "None of the uncertainties are resolved but I sense a greater realism on the part of the management." The closing of 90 Radio Rental stores, he said, illustrated an acceptance that the shops, as presently constituted, were not a growth vehicle.

There was a squeeze on the big alcoholic beverage groups, with Grand Metropolitan rising 4½ to 477p, Guinness hardening 4 to 470p and Allied Domecq rising 7½ to 450p. Grand Met is currently making presentations to institutions and one analyst suggested that, if it was making bullish comments about prospects, this could be having a positive effect on other drinks stocks.

There was profit-taking in George Wimpey, which fell 1½ to 140p after a recent good run, following results in line with expectations.

Another batch of profit warnings carved a swathe through a number of share prices. Neepsend dropped 8 to 33½p and Sep Industries 10½ to 26p. Alumasc fell 53½ to 318p after disappointing interims.

British Aerospace was 3 firmer at 1,272½p ahead of today'a publication of annual results. Lehman Brothers is predicting profits of £435m against £330m the previous year.

Racal Electronics eased 2 to 295p, on profit-taking. NatWest Securities (its hroker) continues to favour the shares and yesterday urged investors to "add" to holdings.

Profit-taking in new market constituent Energy Gronp saw the shares retreat 21 to 547½p on its second day of trading.

Dealers attrihnted the advance in tobacco and financial services group BAT Industries to the strong performance in tobacco stocks in New York on Monday.

Sentiment was said to have been enhanced hy a Merrill Lynch recommendation. BAT rose 13½ to 546½p.

Worries about a continuing slide in the oil price weighed heavily on several stocks in the sector.

They included BP, which eased 11 to 663½p, while Lasmo gave up 4 to 237½p.

Enterprise Oil fell 5½ to 621p.

Retailers were among the best performers on increased optimism over interest rates and consumer spending and a positive outlook for tbe sector from Dresdner Kleinwort Benson earlier this week. Analysts said the sector had been oversold. Next hardened 16 to 609½p. Burton rose 2½ to 155p and Marks and & Spencer firmed 14½ to 503p.

In the rest of the banking sector, HSBC is another stock favoured by Charterhouse Tilney. Demand for the shares continued yesterday and they closed 15½ up at 1,579p. Bnt Ahhey National was ont of favour, its shares falling 10 to 789½p on a negative note from Lehman Brothers.

FT 30 INDEX

	Feb 25	Feb 24	Feb 21	Feb 20	Feb 19	Yr ago	*High	*Low
FT 30	2881.1	2868.3	2864.5	2874.5	2872.0	2745.7	2885.2	2668.9
Ord. div. yield	3.92	3.93	3.91	3.89	3.91	3.90	4.22	3.76
P/E ratio net	17.72	17.67	17.79	17.85	17.77	16.46	17.85	15.80
P/E ratio nil	17.50	17.45	17.57	17.63	17.55	16.25	17.63	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2877.4	2885.3	2886.0	2889.6	2886.6	2884.8	2886.6	2886.3	2883.0	2891.2	2877.4

	Feb 25	Feb 24	Feb 21	Feb 20	Feb 19	Yr ago
SEAQ bargains	48,310	51,086	49,397	48,221	46,393	31,481
Equity turnover (£m)†	-	NA	2550.2	2854.0	2906.7	1886.8
Equity bargains†	-	NA	43,745	49,054	44,227	37,861
Shares traded (m)†	-	NA	843.1	1001.3	804.9	1025.9

†Excluding intra-market and overseas turnover.

	Feb 25	Feb 24	Feb 21	Feb 20	Feb 19	Yr ago	*High	*Low
FTSE AIM	1135.0	1138.0	1137.9	1129.9	1121.2	1025.9	1140.4	985.7

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■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	735	Total Highs	172	Total contracts	73,513
Total Falls	513	Total Lows	31	Calls	43,184
Same	1,247			Puts	30,329

Feb 25 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	4330.0	+2.0	4352.0	4328.5	12894	57721
Jun	[illegible]	4350.5	+1.5	4367.5	4358.5	607	6970
Sep	[illegible]	4376.0	+2.0	4389.0	4389.0	84	2187

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4658.0	+21.0			0	6436

■ FTSE 100 INDEX OPTION (LIFFE) (*4345) £10 per full index point

[illegible]

Calls 9,165 Puts 3,7[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 13,063 Puts 1[illegible]23 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	8.97	180	128½	†C&B Publishing	175		-	-	-	-
§	F.P.	3.00	3½	3	†Caldora Group	3	-¼	-	-	-	-
§	F.P.	1.80	1½	½	†Do Warrants	1	-¼	-	-	-	-
75½	F.P.	3,009	77½	55	Centrica	68		-	-	-	-
525	F.P.	2,832	570½	525	Energy Group	547½	-21	21.0	2.5	4.8	10.6
[illegible]											

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 24	% chg on day	Feb 21	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (35)	1889.09	+1.3	1864.43	2308.87	1.76		2405.83	1674.91
■ Regional Indices								
Africa (14)	2279.80	+1.4	2247.22	3111.56	3.96		3292.19	1918.45
Australasia (7)	2124.22	+0.8	2107.55	2831.00	2.41		2861.03	1941.72
North America (14)	1769.84	+1.3	1727.35	2024.54	0.77		2124.81	1556.88

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Feb 25	Day's chge%	Feb 24	Feb 21	Feb 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4344.7	+0.3	4331.1	4336.8	4356.1	3715.9	3.63	2.10	15.36	[illegible]	1823.66
FTSE 250	4665.0	+0.5	4641.9	4631.0	4632.5	4196.7	3.37	1.50	24.70	[illegible]	1918.37
FTSE 250 ex IT	4704.1	+0.5	4679.4	4665.8	4666.8	4215.9	3.45	1.53	23.70	[illegible]	1937.00
FTSE 350	2149.2	+0.4	2141.5	2142.8	2150.8	1858.0	3.57	1.96	17.84	[illegible]	1842.82
FTSE 350 Higher Yield	2095.8	+0.4	2087.8	2090.8	2094.4	1880.4	4.67	1.84	14.52	[illegible]	1492.11
FTSE 350 Lower Yield	2239.9	+0.3	2233.1	2242.6	2244.3	1850.4	2.49	2.24	22.43	[illegible]	1580.90
FTSE SmallCap	2352.31	+0.1	2349.42	2347.56	2350.53	2044.61	2.90	1.66	26.02	[illegible]	1970.26
FTSE SmallCap ex IT	2360.19	+0.1	2357.42	2353.57	2355.50	2023.69	3.06	1.73	23.55	[illegible]	1991.17
FTSE All-Share	2121.62	+0.3	2114.52	2115.45	2122.75	1834.82	3.52	1.96	18.10	[illegible]	1848.65

■ FTSE Actuaries Industry Sectors

	Feb 25	Day's chge%	Feb 24	Feb 21	Feb 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	3872.24	-0.5	3891.63	4014.35	4031.20	3218.61	3.75	2.14	15.52	[illegible]	1747.79
12 Extractive Industries(5)	4023.19	+1.0	3983.90	3989.20	3925.43	4169.82	4.02	2.68	11.61	[illegible]	1190.11
15 Oil, Integrated(3)	4009.93	-0.7	4097.15	4124.96	4152.55	3241.39	4.00	2.08	15.03	[illegible]	1841.95
16 Oil Exploration & Prod(12)	3490.05	-0.8	3509.39	3536.45	3549.84	2218.15	1.48	1.71	49.29	[illegible]	2109.67
20 GEN INDUSTRIALS(273)	2000.49	+0.4	1993.69	1989.95	1990.59	2048.95	3.82	1.97	17.03	[illegible]	1120.48
21 Building & Construction(35)	1363.57	+0.3	1358.82	1356.12	1357.66	1071.82	3.01	1.70	24.36	[illegible]	1165.69
22 Building Matls & Merchs(32)	1875.32	+0.6	1864.37	1861.83	1860.89	1867.62	4.25	2.54	11.60	[illegible]	968.41
23 Chemicals(26)	2345.71	[illegible]	2345.11	2347.43	2351.44	2486.33	3.45	1.42	19.80	[illegible]	1138.96
24 Diversified Industrials(16)	1460.77	+0.9	1451.72	1450.93	1481.00	1763.23	4.80	1.61	15.81	[illegible]	847.22
25 Electronic & Elect Equip(37)	2271.34	+0.2	2267.66	2271.85	2295.98	2360.05	3.44	1.34	27.02	[illegible]	1206.94
26 Engineering(71)	2548.89	+0.3	2539.43	2534.92	2528.23	2310.39	3.21	2.34	16.63	[illegible]	1578.02
27 Engineering, Vehicles(13)	2844.08	+0.9	2819.87	2788.32	2768.72	2617.59	3.79	1.71	19.27	[illegible]	1502.31
28 Paper, Pckg & Printing(27)	2543.49	+0.4	2533.81	2518.87	2505.79	2698.87	4.09	1.79	17.05	[illegible]	1084.85
29 Textiles & Apparel(14)	1081.05	+0.1	1079.74	1083.76	1085.73	1494.11	6.50	1.33	14.44	[illegible]	685.49
30 CONSUMER GOODS(86)	4128.25	+0.8	4096.58	4105.48	4127.84	3591.87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(7)	2815.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(23)	2864.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(14)	2805.64	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(18)	2281.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(12)	6391.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(2)	4565.27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(273)	2701.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(33)	2768.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(31)	3529.23	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(44)	4584.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(15)	1948.96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(53)	2132.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(22)	3422.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(56)	3036.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(17)	2658.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(31)	2749.13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(10)	2675.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	1658.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(8)	2026.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(11)	2525.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(683)	2159.74	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(106)	3928.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	5746.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(18)	1722.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(7)	4583.31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(23)	3215.77	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(41)	1904.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(127)	3356.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FTSE All-Share(916)	2121.62	+0.3	2114.52	2115.45	2122.75	1834.82	3.52	1.96	18.10	[illegible]	1848.65
FTSE Fledgling	1338.47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex IT	1360.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4346.3	4353.9	4352.8	4355.0	4346.9	4347.1	4351.7	4352.4	4345.7	4357.3	[illegible]
FTSE 250	4647.5	4650.2	4656.4	4659.0	4661.2	4662.2	4662.8	4663.5	4664.2	4665.0	[illegible]
FTSE 350	2148.1	2151.4	2151.5	2152.6	2150.5	2148.9	2151.7	2152.0	2149.5	2153.7	[illegible]

Time of FTSE 100 Day's high: 10:42 AM Day's low: 4:26 PM. FTSE 100 1996/97 High: 4357.4 (19/02/97) Low: [illegible]

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1306.5	1308.9	1308.7	1308.8	1308.0	1308.0	1308.1	1308.1	1308.6	[illegible]	[illegible]	[illegible]
Pharmaceuticals	6300.4	6339.4	6301.8	6304.4	6302.0	6296.3	6309.2	6319.2	6302.5	[illegible]	[illegible]	[illegible]
Water	2511.8	2515.0	2520.9	2526.5	2528.9	2529.6	2529.6	2524.3	2517.5	[illegible]	[illegible]	[illegible]
Banks, Retail	5825.3	5868.5	5857.5	5858.7	5826.2	5819.8	5824.7	5824.4	5820.1	[illegible]	[illegible]	[illegible]

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Arabia (FTSE Fledgling). NAME CHANGE: Rossmont is now Dunham-Bush (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 25 / Schs)

BELGIUM/LUXEMBOURG (Feb 25 / Frs.)

CZECH REP (Feb 25 / Korună)

DENMARK (Feb 25 / Kr)

FINLAND (Feb 25 / Mks)

FRANCE (Feb 25 / Frs.)

GERMANY (Feb 25 / Dm.)

GREECE (Feb 25 / Drachmae)

ITALY (Feb 25 / Lira)

NETHERLANDS (Feb 25 / Fls.)

NORWAY (Feb 25 / Kroner)

POLAND (Feb 25 / Zloty)

PORTUGAL (Feb 25 / Escudo)

SPAIN (Feb 25 / Pts.)

SWEDEN (Feb 25 / Kronor)

SWITZERLAND (Feb 25 / Frs.)

TURKEY (Feb 25 / Tk Lira)

PACIFIC

JAPAN (Feb 25 / Yen)

HONG KONG (Feb 25 / H.K.$)

INDONESIA (Feb 25 / Rupiah)

MALAYSIA (Feb 25 / MYR)

NEW ZEALAND (Feb 25 / NZ $)

SINGAPORE (Feb 25 / S$)

AUSTRALIA (Feb 25 / Aust$)

SOUTH KOREA (Feb 25 / Won)

TAIWAN (Feb 25 / TW $)

THAILAND (Feb 25 / Baht)

AFRICA

SOUTH AFRICA (Feb 25 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 25 / Can $) 4 pm close

MONTREAL (Feb 25 / Can $) 4 pm close

Prices supplied by Exel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

INDEX FUTURES

■ CAC-40

■ DAX

■ OMX

■ SOFFEX

US INDICES

Dow Jones	Feb 24	Feb 21	Feb 20	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	7008.20	6931.62	6927.38	7067.46 (18/2/97)	5032.94 (10/1/96)	7067.46 (18/2/97)	41.22 (8/7/32)
Home Bonds	103.45	103.48	103.55	108.09 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2376.10	2353.69	2340.44	2376.19 (24/2/97)	1882.71 (18/1/96)	2376.19 (24/2/97)	13.23 (8/7/32)
Utilities	231.13	228.74	229.88	240.85 (22/1/97)	204.86 (30/7/96)	258.45 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7046.76 (6984.72) Low 6868.50 (6869.27) (Theoretical¶)
Day's high 7013.58 (6960.88) Low 6905.45 (6905.22) (Actual¶)

Standard and Poors	Feb 24	Feb 21	Feb 20	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	810.28	801.77	802.80	816.29 (18/2/97)	598.48 (10/1/96)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials¶	945.33	935.11	936.89	950.96 (18/2/97)	702.07 (15/1/96)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	94.70	93.70	93.83	96.31 (18/2/97)	59.87 (10/1/96)	96.31 (18/2/97)	7.13 (4/9/74)
NYSE Comp.	424.48	421.01	421.09	427.07 (18/2/97)	321.41 (10/1/96)	427.07 (18/2/97)	4.64 (25/4/42)
Amex Comp.	598.07	597.29	597.43	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1345.08	1334.32	1347.41	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Feb 21	Feb 14	Feb 7	Year ago
Dow Jones Ind. Div. Yield	1.84	1.82	1.95	2.12
	Feb 19	Feb 12	Feb 5	Year ago
S & P Ind. Div. yield	1.72	1.73	1.78	1.88
S & P Ind. P/E ratio	22.84	24.83	24.09	19.90

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tech	6,817,500	36⅞	+2¼
Pepsico	3,948,600	34⅛	-½
K-Mart	3,862,500	11⅜	+⅛
AT & T	3,761,900	41⅛	+1⅛
Compaq	3,686,300	80⅛	+⅛
IBM	3,505,500	143⅝	+6
Office Dept	3,361,100	18⅛	-1
US West Com	3,127,500	36⅝	+1⅛
Wal-Mart	3,087,600	24⅝	+⅝
Repsol SA	3,076,500	39⅛	——

■ TRADING ACTIVITY

● Volume (million)

	Feb 24	Feb 21	Feb 20
New York SE	462.686	459.936	462.791
Amex	17.559	20.678	21.684
NASDAQ	590.646	628.893	624.961
NYSE			
Issues Traded	3,350	3,343	3,343
Rises	1,487	1,320	847
Falls	1,037	1,169	1,687
Unchanged	826	853	809
New Highs	178	111	147
New Lows	22	21	26

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	812.60	814.30	+1.75	814.30	812.25	86,537	184,028
Jun	821.30	821.50	+1.40	821.55	821.00	2,272	15,622

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	18840.0	19120.0	+260.0	19140.0	18820.0	28,358	198,351
Jun	18640.0	19090.0	+240.0	19110.0	18800.0	12,302	85,336

Open interest figures for previous day.

[illegible] GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. [illegible] day's highs and lows are the averages of the highest and lowest prices reached during the day by each [illegible] the and lows represent the highest and lowest values that the index has reached during the day. (The [illegible] ¶) ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, February 25, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	8.4m	865	+4	Nippon Steel Cp	5.7m	333	-2
Sumitomo Mtl Ind	8.4m	301	+5	Bk Tk-Mitsubishi	5.2m	2090	+10
Green Cross Corp	8.9m	520	-46	Sumitomo R & D	4.9m	915	+4
Fuji Bank	5.8m	1570		Sakura Bank	4.9m	812	+5
Yasuda F&M Ins	5.7m	617	+19	Kawasaki Hvy Ind	4.6m	519	-2

4 pm close February 25

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

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- H -

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- I -

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- J -

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- K -

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- L -

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- M -

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- N -

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- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE PRICES

4 pm close February 25

Continued from previous page

- V -

- W -

- X - Y - Z -

25¾	20⅞	Yankee Egy	1.30	5.5	13	91	23¾	23½	23⅝	-⅛
57	43¾	York Int	0.36	0.8	13	5193	45⅞	44	45¾	+1¼
5	3	Zapata				938	4⅞	4¾	4⅞	+⅛
25¼	5⅞	ZenithE				769	10½	10¼	10¼	
28⅞	21⅜	Zenith Nat	1.00	3.8	12	114	26⅝	26½	26⅝	+⅛
7⅝	6½	Zenix Inc x	0.73	9.9		68	u7⅜	7¼	7⅜	
23¾	15⅝	Zero 4	0.12	0.5	17	84	22¾	22¼	22¼	-¼
29	18½	Zurn Ind	0.40	1.5	15	223	25⅞	25⅝	25⅞	+⅜
11⅝	10½	ZweigFd♣	1.12	10.0		424	u11⅜	11⅜	11¼	
0	8	Zweig Totl x	0.84	9.9		899	8½	8⅜	8½	+⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. Sls-Sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
X Dealings Suspended.

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AMEX PRICES

4 pm close February 25

NASDAQ NATIONAL MARKET

4 pm close February 25

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

Labone x	0.72	69	68	18¾	19¼	19⅝	+⅛
Ladd Furn			11	15½	15⅛	15½	
Lam Rsch		12	10891	39½	38¼	39¼	+¼
Lancaster	0.72	16	222	47½	46½	47	
Lance ♣	0.65	23	377	19¼	10	19⅛	-¼
Lanoptics			108	7⅜	7¼	7¼	-⅛

Rainbow		13	403	16⅝	17⅛	18⅛	+1
Rallys			204	4	3¾	3⅞	+1/16
Raymond	0.10	13	2022	26⅜	25⅜	26⅛	-⅛
RCSB Fin	0.60	13	1249	34⅞	34⅛	34¾	+⅛
Read-Rite			11068	u36¼	32⅜	32⅞	+⅞
Recoton		14	160	15¾	15¼	15¼	-⅜
RegFinCp			1761	u61	59⅝	60¾	+1 3/16
Repligen			290	1⅜	1¼	1¼	
Repub Ind			43271	38⅞	35⅝	35⅞	+3¼
ResrchMed		23	44	23¼	23⅛	23⅛	-1/32

Xilinx♣		27	19764	47¾	45¼	48⅝	+1⅜
Xircom		43	3227	26¼	24.52	24.52	-.49
Xoma Corp			4633	7⅛	6 11/16	6⅞	-⅛
Yellow			33	16⅝	16⅛	16⅜	+⅛
York Rsch		10	366	9⅞	9½	9¾	+⅛
ZionsUtah	1.76	10	361	133⅜	126½	133	+5

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
Actiucard	US$8.125		15000	8.5	8	Innogenetics	US$11.375		14550	12.875	10.125
Artwork Systems	US$10.625		20151	11.375	9.375	Mercer Internl.	US$10.375		0	11.375	10.375
Dr Solomon's ADS	US$25.25		0	26.125	16.625	Pbtech	US$5.5		20400	6.25	4.75

Prices for 25/2/97.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel. 44-111 / 515 3095).

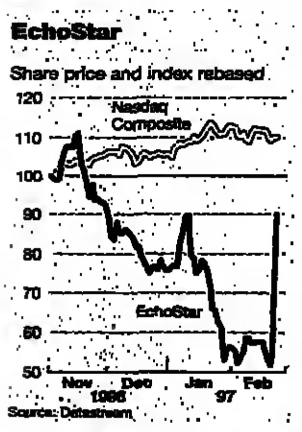
US shares dip below 7,000 level

AMERICAS

US shares were flat to modestly lower yesterday in the wake of the sharp gains made on Monday, *writes Lisa Bransten in New York.*

Trading was volatile on both the Dow Jones Industrial Average and the more broadly traded Standard & Poor's 500. Both indices jumped in the first hour of trading before turning lower in the late morning.

At 1pm, the Dow had fallen back below the 7,000 point level with a loss of



14.24 at 6,993.96, while the S & P 500 dropped 1.09 at 809.19. Volume on the New York Stock Exchange came to 297m shares.

The technology-rich Nasdaq composite also gained in early trading before making a retreat, but it managed to stay in positive territory through the early afternoon with a gain of 0.58 at 1,345.66. The Pacific Stock Exchange technology index was also flat.

The Nasdaq's gains came in spite of drops in two of three of its largest components. Microsoft was $¾ weaker at $99¾ and Cisco Systems dropped $1¾ at $57¼. Meanwhile Intel, the largest company on the Nasdaq maneged to add $⅛ at $149⅛.

Computer makers, however, were mostly stronger. Dell Computer added $1 at $74 Gateway 200 climbed $1⅝ at $62⅝ and Hewlett-Packard was $2⅛ stronger at $58⅞.

In individual shares EchoStar Communications, a digital satellite broadcaster, surged after Mr Rupert Murdoch, chairman of News Corporation, announced plans to form an alliance with the company.

Shares in EchoStar jumped $9⅛ or 51 per cent to $27⅛ while American depositary receipts of News Corporation added $⅜ or 2 per cent at $21⅜.

Several retailers moved after reporting fourth-quarter earnings. Wal-Mart, the largest retailer in the US, added $1¼ or 5 per cent at $25⅞ after reporting net income of 48 cents per share, a cent ahead of the median forecast from analysts. Dillard Department Stores jumped $2 or 7 per cent at $30⅛ after also reporting earnings a cent ahead of estimates.

Share in the Limited added $⅛ at $18¼ after it, too, posted slightly stronger-than-expected fourth-quarter earnings.

TORONTO, held in check by the dull start on Wall Street, traded quietly with most of the morning action concentrated on the banks. At noon, the 300 composite index was off 12.42 at 6,230.10.

Both Bank of Montreal and Bank of Nova Scotia put out earnings statements. The former was well dealt in advance of the numbers, putting on 85 cents. The shares eased back to C$49.10 after the announcement, a gain of 70 cents.

News of reduced loan losses and strong quarterly profits left Bank of Nova Scotia 55 cents ahead at C$52.20.

A big block trade in Sherritt International passed through the market and the shares added 25 cents to C$8.55. Bre-X Minerals eased 20 cents to C$19.60.

DSM, Philips strong as Amsterdam peaks

EUROPE

Firm bonds, an uptick for the dollar and a number of strong corporate stories helped **AMSTERDAM** to a new all-time high.

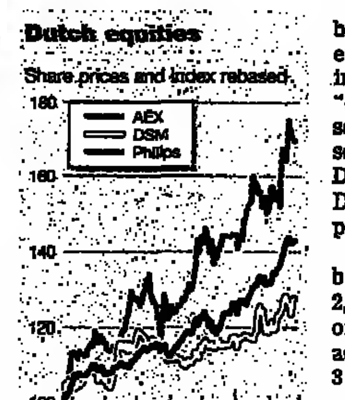
The overnight strength on Wall Street set an upbeat tone at the outset and share prices rarely looked back throughout the session. The AEX index ended at its best of the day, up 16.68 or more than 2 per cent at 750.19.

DSM hoisted its dividend and the restructuring story at Philips revived on news of a big US disposal. DSM climbed F 5 or 2.8 per cent to Fl 190 while Philips rose Fl 2 to Fl 84.10.

PolyGram, the latter's music offshoot, jumped Fl 3.80 or 4.6 per cent to Fl 86.80. The rise in bonds kept financials in demand. Fortis Amev gained Fl 2.90 or 4 per cent to Fl 75.40.

Publishers, buoyed last week by talk of imminent corporate activity, came back into the reckoning. Both VNU and Wolters Kluwer gained more than 4 per cent, adding Fl 1.70 to Fl 40 and Fl 9.60 to Fl 247 respectively.

FRANKFURT stocks were a mixed bag in spite of a 1.7 per cent rise in the Dax index which took the dollar, and Monday's overnight rise in the Dow, on board and closed 52.71 higher at an



Ibis-indicated 3,233.34.

Turnover rose from DM9.1bn to DM12bn. Thyssen took a DM613m chunk of that as it rose another DM14.60 to DM349 for a two-day gain of 9.4 per cent. Other steels and engineers went along, Preussag gaining DM15.40 or 3.8 per cent at DM423.50 and Linde DM42 or 3.9 per cent at DM1,113.

However, doubled net profits and a 50 per cent rise in dividend at Volkswagen were no match for allegations of corruption in VW's purchasing department, and the carmaker fell DM8.60 to DM787.40. Meanwhile, Lufthansa waited for news of a strike ballot among the airline's pilots and cabin staff, and fell another 20 pfg to DM20.83.

Bank stocks rose after a board member of Bayernverein said in a newspaper interview there would be "dramatic changes" in the sector in coming years. Deutsche and Dresdner closed up DM2.19 or 2.6 per cent at DM87.80, and DM1.43 or 2.7 per cent at DM55.38.

PARIS came off the top, but managed to close above 2,600 on the CAC 40, a fifth of the index's components achieving gains in excess of 3 per cent.

Selected banks were strong and there was aggressive buying of retailers. Valeo met with selling ahead of results which emerged after market hours. The CAC 40 closed with a gain of 39.87 at 2,607.72.

Financials surged on talk that upcoming results will be less influenced than previously expected by property problems. BNP rose FFr7.80 to FFr258 and Paribas, which announces results tomorrow, gained FFr11.70 to FFr394.50. Bancaire jumped FFr32 or 4.5 per cent to FFr737.

Retailers were also in demand with Carrefour up FFr108 to FFr3,558 ahead of today's results statement. Pinault-Printemps rose FFr65 to FFr2,391 and Promodes FFr40 to FFr1,660.

Bic ran into profit-taking after Monday's CAC 40 inclusion celebrations, dipping FFr23 to FFr925. Valeo,

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Feb 25 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2146.56	2148.19	2148.91	2147.77	2147.74	2148.25	2149.76	2150.66
FTSE Eurotrack 200	2188.60	2189.06	2188.39	2188.57	2188.18	2188.75	2189.68	2190.15

	Feb 24	Feb 21	Feb 20	Feb 19	Feb 18
FTSE Eurotrack 100	2135.35	2142.72	2148.05	2160.24	2172.87
FTSE Eurotrack 200	2173.55	2176.44	2184.39	2197.11	2198.41

Base value 1000 (26/10/90). High/day: 100 - 2150.66; 200 - 2190.73 Low/day: 100 - 2146.56 200 - 2188.79. † Partial.

another lead index newcomer, shed FFr5.90 to FFr380.40.

Takeover talk resurfaced around AGF which put on FFr4.10 to FFr222 in 1.4m shares traded. Allianz of Germany was widely tipped as a possible future partner.

ZURICH rebounded with the SMI index, helped by the firmer dollar, rising 40.7 to 4,503.9.

Industrials enjoyed a dollar-induced bounce, recovering some of last week's underperformance. ABB added SFr21 at SFr1,829 as expectations grew ahead of tomorrow's annual news conference. Sulzer rose SFr14 to SFr951 and Alusuisse gained SFr21 to SFr1,175.

Chemicals and pharmaceuticals benefited from the view that the major Swiss issues were more cheaply valued than their US counterparts, and ahead of today's start in the trading of Novartis rights in Ciba SC shares. Novartis gained SFr16 to SFr1,780, and Clariant rose SFr14 to SFr718.

Nestlé rose SFr24 to SFr1,625 on the strong dollar and SMH picked up SFr10 at SFr935 ahead of 1996 results due later in the week.

Adecco, the temporary employment group, jumped SFr13 to SFr461 as Goldman Sachs raised its earnings estimates.

MILAN came off its highs as bond future prices eased. The Comit index added 1.68 to 773.51 while the real-time Mibtel index turned back from 12,390 to close 47 higher at 12,324.

Among the blue chips, San Paulo again outperformed, rising L348 to L12,190, on its strong 1996 profit figures and the sale of its 40 per cent stake in Crediop to Dexia, the Franco-Belgian group. Ambroveneto picked up L64 to L4,298 after reporting a rise in 1996 parent net profit.

STOCKHOLM saw the general index 30.34 higher at an all-time high of 2,666.60. Nordbanken closed SKr9 higher at SKr274 on merger speculation.

Forestries rose 2.5 per cent on higher fine paper prices and on broker upgrades for their US counterparts. And the mining and rubber group, Trelleborg, climbed SKr4.50 to SKr118.50 on the strategic acquisition of a US maker of anti-vibration car components.

HELSINKI played metals and forestries as the Hex index rose 51.15 to 2,903.04, a fraction off its all-time high. Outokumpu, the metals group, rose FM4.60 to FM90 on the view that its prospects were much better than Monday's results, and forestries rose 1.9 per cent, also on cyclical recovery hopes.

ATHENS climbed another 3 per cent on continuing inflows from foreign growth funds and switching out of bonds by individual domestic investors. The general index rose 40.73 to 1,407.65 in turnover of Dr32.8bn.

TEL AVIV saw further profit-taking in spite of the central bank's announcement after the market closed on Monday that it was cutting its key lending rate for March by 0.3 of a percentage point to an annualised 13.9 per cent. The Mishnatim index fell 7.68 to 252.79.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Record-setting HSBC takes Hong Kong up 1.1%

ASIA PACIFIC

A record-setting performance by HSBC and continued keen interest in China-related shares took **HONG KONG** 1.1 per cent higher.

The Hang Seng index closed 144.57 stronger at 13,520.26 in turnover that picked up to HK$9.7bn.

HSBC, expected to report strong earnings growth when it kicks off next month's reporting season, rose HK$5 to HK$193.50 after reaching an all-time high of HK$194 during the session.

Analysts noted that on Monday, HSBC's indirectly wholly-owned unit, Hong Kong Bank of Canada, posted a 28 per cent rise in net profit for the first quarter, ended January 31, which prompted expectations of good performances from the bank's other foreign operations.

H shares also put on a strong performance, rising 8.24 to 982.15 on expectations that earnings prospects for the Hong Kong-listed mainland companies should improve this year after a poor performance in 1996.

TOKYO saw bargain hunting after a shaky start, and the Nikkei average recovered to close back above the 19,000 level, *writes Bethan Hutton.*

The 225 index ended 173.08 higher at 19,070.07 after an early low of 18,775.90, and a high of 19,097.82. The rally was led by buying of key international blue chips such as Sony, and the positive sentiment soon spread to other high-tech issues. Sony gained Y200 to Y8,780, NEC rose Y20 to Y1,390, and Canon climbed Y40 to Y2,570.

Carmakers declined, still out of favour because of the yen's relative strength. Toyota fell Y20 to Y3,200 and Honda Y30 to Y3,630.

The most significant item of corporate news affecting the market was a merger of two first-section pharmaceutical companies, Green Cross and Yoshitomi, announced after the market closed on Monday.

The merger was seen as a move to rescue Green Cross, which had been hit by a scandal involving HIV-infected blood products. The company had already had to pay substantial compensation and legal costs, and more compensation claims were unresolved.

The merged company will take over this liability, so investors did not welcome the news. Green Cross shares were traded heavily, and dropped Y46 to Y520, an 8.8 per cent fall. Yoshitomi slid Y68 or 7.6 per cent to Y822.

Volume was down from the previous day, which market participants said was because it was the last trading day for February delivery. Other players were also staying on the sidelines ahead of the financial year-end next month. An estimated 430m first-section shares changed hands, against 460.84m on Monday.

Advances outnumbered declines by just 555 to 537, with 164 unchanged. The Topix index of all first-section shares climbed 2.07 to 1,425.37, the capital weighted Nikkei 300 index added 0.46 at 273.55 and, in London, the ISE/Nikkei 50 index gained 1.45 at 1,455.01.

In Osaka, the OSE index slipped slightly, closing 16.41 points lower at 19,736.75, in volume of 111.88m shares.

TAIPEI, up 245 points in five straight days, ran into modest profit-taking and the weighted index came off 21.25 to 7,887.36 in moderate T$149.5bn turnover.

Brokers said there was concern over high money market rates, which could could prevent additional funds from entering the mar-

ket. Chipmakers came off the top. Mosel Vitelic lost T$1 to T$42.70 and Primax Electronics T$1.50 to T$73.

SYDNEY had another strong session, rising to within a whisker of the 2,501.70 all-time high, led by a bounce for News Corp and an active day for banks. At the close the All Ordinaries index was up 18.2 at 2,500.8.

The announcement that News was to link-up with EchoStar Communications of the US pushed the shares up by more than 5 per cent.

Brokers said the US alliance signalled a significant breakthrough in News' satellite television ambitions.

News Corp jumped 37 cents to A$7.09 in 13.8m shares traded. The preferred stock gained 40 cents to A$6.03.

SINGAPORE ran into a late wave of selling by some foreign funds on worries about the prospects for the 1996 financial reporting season. The Straits Times Industrial index lost 32.02 at 2,201.97.

Almost all the large index stocks lost ground, led by the car retailer. Cycle & Carriage, down 40 cents at S$15.80, and the diversified maritime group, Keppel, 30 cents weaker at S$10.20.

SEOUL was carried forward by renewed demand for memory chip stocks after Monday's news that Merrill Lynch had recommended two US memory chip companies, citing strong demand for personal computers.

The composite index rose 6.22 to 682.81 as Samsung Electronics ended Won3,200 higher at Won57,000, Hyundai Electronics rose Won2,500 to Won34,100 and LG Semicon gained Won1,700 to Won25,500.

MANILA continued to move higher, helped by an surge in buying late in the day. The 30-share index ended up 24.41 or 0.7 per cent at 3,363.08 points after trading within a narrow 10 point band through most of the session.

KARACHI recouped much of the 2.7 per cent lost on Monday. The KSE-100 index rebounded 43.77 to 1,745.83 as demand picked up on the first day of the new account.

Mexico City stronger

MEXICO CITY continued its climb into uncharted territory with a new intra-day record in early trade. The IPC index, which set its sixth record close of the month on Monday peaked at 3,960.06 before pulling back at midsession to stand 20.63 higher at 3,910.40.

Analysts said that the market had little time to react to economic data published on Monday. They added, however, that trade balance and inflation figures were much as expected, but still very good.

Bancomer, the financial group, added 6 centavos at 3.24 pesos, recovering from falls after its 1996 earnings report failed to live up to expectations. Telmex also chalked up strong gains in heavy dealings.

SAO PAULO experienced further strong gains for telecoms stocks and at midsession the Bovespa index was up 1.1 per cent at 90,589, a rise of 997. Telebras, which surged by more than 3 per cent on Monday, continued to advance, adding a further 2.25 reals to 102.55 reals.

Golds push Jo'burg higher

Shares in Johannesburg moved higher thanks to another good day for golds which helped offset disappointments among industrial shares. The all-share index closed 30.1 better at 7,203.2.

Golds stayed firmly on the upside with the index gaining 9.2 to 1,538.5 for a three-day advance of almost 5 per cent. Dealers the upturn stemmed from rand strength plus a steady day for bullion.

Calculation of the industrial index was hit by technical problems but a number of heavyweights fell sharply. Sasool came off R2.50 to R51.50 after disappointing results. Barlow Rand shed R1.25 to R48.75.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 24 1997								FRIDAY FEBRUARY 21 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	223.26	0.5	202.64	172.14	193.80	190.59	0.4	3.99	222.05	203.32	172.38	194.30	189.80	224.61	186.44	196.22
Austria (24)	184.96	0.9	167.88	142.61	160.56	160.49	0.1	1.82	183.27	167.81	142.27	160.37	160.30	195.04	174.70	189.67
Belgium (26)	234.07	1.4	212.45	180.47	203.18	199.04	0.5	3.24	230.87	211.39	178.22	202.02	197.79	234.07	203.64	211.27
Brazil (28)	237.13	2.2	215.22	182.83	205.84	458.39	2.1	1.33	232.08	212.51	180.17	203.06	448.77	239.27	147.48	164.74
Canada (114)	201.55	0.3	182.93	155.40	174.96	198.75	0.3	1.85	200.85	183.90	155.92	175.74	198.07	203.24	153.61	154.51
Denmark (32)	370.08	-1.3	335.90	285.34	321.25	320.85	-2.1	1.37	374.94	343.31	291.07	328.08	327.66	376.09	291.30	304.21
Finland (28)	258.28	0.0	234.42	199.14	224.20	270.36	-0.8	1.90	258.18	236.39	200.41	225.90	272.88	262.79	174.47	187.99
France (91)	218.81	1.1	198.60	168.71	189.94	193.43	0.2	2.53	218.50	198.24	168.07	189.44	193.02	222.08	183.87	189.17
Germany (59)	193.50	0.8	175.63	149.19	167.97	187.67	0.0	1.52	192.01	175.81	149.06	168.01	188.01	198.14	164.47	173.35
Hong Kong (59)	489.49	-0.5	444.28	377.41	424.91	488.73	-0.5	3.19	492.03	450.53	381.96	430.54	489.13	514.49	402.53	443.06
Indonesia (27)	244.35	-0.3	221.78	188.40	212.11	358.56	-0.1	1.49	245.02	224.35	190.21	214.40	358.95	-	-	-
Ireland (16)	340.91	1.1	309.42	262.85	295.93	302.34	0.3	3.11	337.13	308.69	261.71	295.00	301.36	340.81	255.18	259.64
Italy (58)	93.37	-0.4	82.02	69.68	78.45	111.79	-0.8	1.69	90.73	83.07	70.43	79.39	112.69	96.32	70.61	74.73
Japan (480)	118.00	0.5	108.01	91.75	103.30	91.75	-0.2	0.86	118.45	108.46	91.95	103.64	91.95	164.88	109.18	150.73
Malaysia (107)	656.65	0.2	596.18	506.44	570.18	627.00	0.2	1.00	655.64	600.33	508.87	573.70	625.72	656.85	512.47	525.27
Mexico (27)	1429.59	0.4	1297.55	1102.24	1240.98	12111.22	0.2	0.91	1424.27	1304.12	1105.66	1246.27	12082.50	1429.59	1046.55	1148.87
Netherland (19)	347.83	1.3	315.70	268.18	301.94	298.09	0.5	2.53	343.50	314.52	266.66	300.57	296.53	347.83	274.35	282.13
New Zealand (14)	88.50	0.7	80.32	68.23	76.82	67.38	0.3	4.20	87.84	80.43	68.19	76.87	67.14	95.60	75.94	81.23
Norway (41)	316.55	-1.5	287.31	244.07	274.76	285.20	-2.8	2.07	321.23	294.13	249.37	281.08	292.87	321.23	234.87	242.89
Philippines (22)	205.69	0.5	186.87	158.74	178.72	270.26	0.5	0.64	204.91	187.62	159.07	179.30	269.00	-	-	-
Singapore (43)	427.11	-2.4	387.66	329.31	370.75	279.75	-2.5	0.99	437.37	400.48	339.53	382.71	287.01	456.06	371.28	456.05
South Africa (44)	367.35	1.6	333.42	283.23	318.88	355.73	0.4	2.33	361.82	331.11	280.72	316.42	354.29	402.69	301.49	397.52
Spain (35)	210.57	-0.6	191.12	162.35	182.78	225.43	-1.5	2.79	211.60	193.75	164.26	185.15	228.80	228.15	181.86	175.13
Sweden (60)	435.02	0.2	394.84	335.41	377.62	474.41	-0.1	2.14	434.01	397.40	336.92	379.77	475.10	435.02	325.59	338.14
Switzerland (35)	249.71	-0.5	226.65	192.53	216.76	225.10	-1.3	1.30	250.94	229.79	194.81	219.58	228.09	254.34	229.36	230.95
Thailand (45)	85.49	-1.1	77.60	65.92	74.21	85.81	-1.2	3.97	86.40	79.11	67.07	75.60	86.98	167.79	75.46	184.22
United Kingdom (212)	283.35	0.8	257.18	218.47	245.96	257.18	-0.1	3.75	281.03	257.32	218.16	245.81	257.32	283.35	224.39	232.67
USA (654)	329.01	1.0	298.62	253.67	285.60	329.01	1.0	1.82	325.66	298.19	252.81	284.98	325.66	331.54	254.79	269.06
Americas (823)	301.27	1.0	273.45	232.29	261.52	253.43	1.0	1.80	298.29	273.12	231.56	261.01	250.32	303.45	233.09	245.29
Europe (726)	244.13	0.6	221.58	188.23	211.92	222.86	-0.2	2.67	242.74	222.26	188.44	212.40	223.38	244.53	201.86	206.25
Nordic (151)	377.82	-0.2	342.92	291.30	327.96	357.08	-0.8	1.98	376.66	346.71	293.95	331.33	360.07	378.66	282.52	293.45
Pacific Basin (873)	140.18	0.3	127.23	108.08	121.69	107.19	-0.2	1.35	139.78	127.99	108.51	122.31	107.43	177.01	131.50	164.28
Euro-Pacific (1599)	183.49	0.6	166.53	141.46	159.27	150.88	-0.2	2.09	182.66	167.25	141.80	159.83	151.23	191.51	178.40	181.67
North America (768)	321.28	1.0	291.61	247.71	278.89	320.40	1.0	1.82	318.12	291.28	246.95	278.36	317.25	323.69	248.65	262.01
Europe Ex. UK (514)	217.67	0.4	197.75	167.98	189.12	199.84	-0.3	2.05	216.94	199.54	168.41	189.83	200.51	219.12	183.36	187.07
Pacific Ex. Japan (393)	317.11	-0.2	287.82	244.50	275.27	274.74	-0.2	2.70	317.77	290.96	246.68	278.05	275.43	320.65	268.87	289.11
World Ex. US (1812)	187.40	0.5	170.10	144.49	162.86	157.19	-0.2	2.06	186.51	170.78	144.79	163.20	157.44	193.47	177.71	183.12
World Ex. UK (2254)	227.69	0.7	206.66	175.56	197.65	201.44	0.5	1.75	226.05	206.98	175.48	197.80	200.54	227.69	199.56	207.47
World Ex. Japan (1986)	290.51	0.8	263.68	223.99	252.18	279.06	0.5	2.15	288.24	263.92	223.76	252.21	277.65	290.85	233.10	242.17
The World Index (2466)	232.46	0.7	210.99	179.23	201.79	208.57	0.4	1.85	230.76	211.29	179.14	201.92	205.75	232.46	202.32	208.73

Latest prices were unavailable for this edition.